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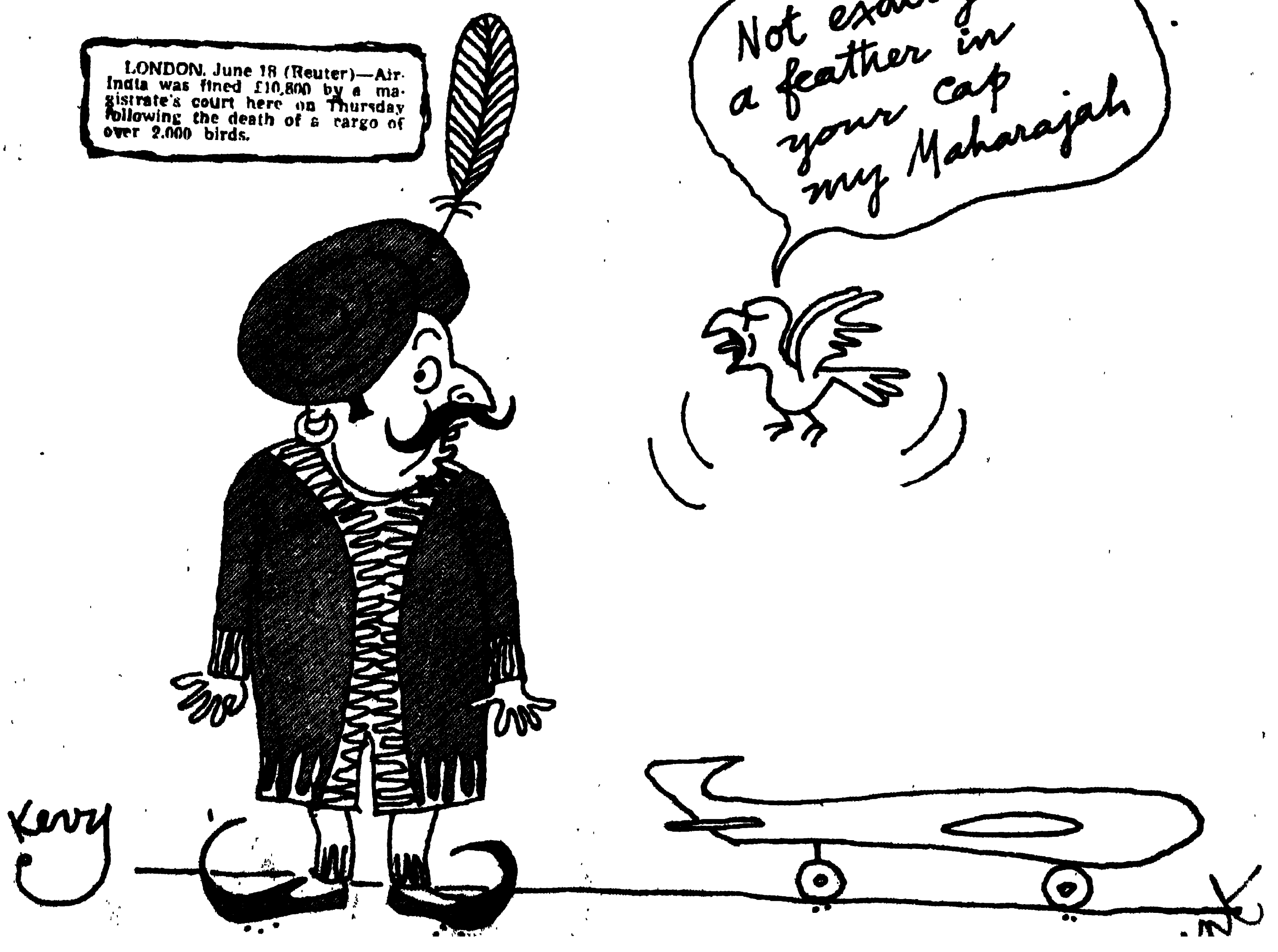

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Rewriting the fifth Plan

FEVERISH ATTEMPTS are being made in Yojana Bhavan to re-shape the fifth five-year Plan ending in 1978-79. While most of the targets indicated in the draft of the Plan are being revised, the Planning Commission has also set the target of completing the revised Plan before the end of the next month when a full meeting of the Planning Commission is proposed to be held under the chairmanship of the prime minister.

Redrafting the five-year Plan when the first half of the period covered is fast approaching its end, can hardly be an exciting experience for the pundits of the Planning Commission whose instruments have so far proved unequal to the task. However, in keeping with past tradition, the Planning Commission will not miss the opportunity to outline the broad contours of the sixth five-year Plan (1979-84). Its forward-looking instincts seem to be irrepressible, however dim the images it is able to see about the shape of things to come.

Since the Plan for the current year has already been finalised, the exercise requires forecasting the trend of the economy for the next two years in so far as the fifth Plan period is considered. But even then, Yojana Bhavan must undertake consultations with all the ministries of the central government and the state governments as if a new Plan was being drafted. It is these discussions which have held up the finalisation of the document. Presumably, the Planning Commission wishes to bring about a consensus among the participants about the contents of the Plan before putting its own stamp on it. Ultimately, it is the central ministries and the states which will have to bear the responsibility of implementation. At the time of writing, the consultations with the ministries are over while the dialogue with the states has already begun. In these meetings, all the emphasis has been put on the public sector projects, especially the core sector. The performance of the private sector is presumed these days to follow the course which the public sector takes.

The estimated resources for the public sector in the fifth Plan period had been put in the draft document at Rs 37250 crores (at 1972-73 prices). The outlay for the first three years of the Plan has already totalled Rs 19,000 crores—not at 1972-73 prices but at current prices. In view of the sharp rise in prices in 1973 and 1974, the real content of this outlay will be considerably less. Going by numbers alone, it may not be difficult to raise the outlay for the next two years to Rs 19,000 crores at current prices. Roughly it may be assumed that the outlay of Rs 38,000 crores for the quinquennium in the public sector may be less by at least one-third of the originally assigned purchasing power. Consequently, the revised Plan may not succeed in achieving the targets of even the core of the Plan. Already, the target for coal has been slashed from 135 million tonnes to 125 million tonnes. It may be recalled that the Fuel Policy Committee had recommended the target of 145 million tonnes of coal for 1978-79 in the wake of the oil crisis. Since demand for coal has fallen far short of production with accumulation of stocks at pitheads, there was no option but to scale down the target. And the same trend is likely to prevail in other industries.

For instance, latest exercises in regard to the demand for steel have required a reappraisal in the production plan. As against the original target set in the draft of the Plan at 9.4 million tonnes, the current thinking is in favour of reducing it to 8.8 million tonnes. The output of integrated steel plants at 7.74 million tonnes coupled with the production of electric arc furnace industry at 1.06 million tonnes is expected to make up the revised total.

If the demand for steel is not picking up according to expectations, the cement industry also is suffering from slackness in demand. Accordingly, the target for cement for 1978-79 is proposed to be reduced from 25 million tonnes to 20.8 million tonnes out of which as much as 1.5 million tonnes is likely to be exported.

Surely the draft need not be recast entirely because the broad objectives and the strategies remain unchanged. To a mid-term appraisal need to be tagged the targets for 1978-79 on the basis of the most realistic assessment of the resources which can be mobilised. The decline in prices and the increase in production in the major sectors of the economy during the past one year provide a hopeful base on which to draw up the pyramid of the Plan. To borrow a Johnsonian phrase, the success of the economy in recent months has fed us with "continual renovation of hope" but let us also pray that it does not "end in a constant succession of disappointment".

Mr Sankar Ghose, the union Planning minister, has made a cheerful assessment of planning in one of his talks in the capital (see 'Planning Today', Page 11). What has been achieved so far is by no means modest but the problem of providing jobs to the rising numbers of the unemployed has already assumed gigantic proportions. Granted that the Planning Commission is studying the unemployment problem and its findings and recommendations will be included in the recast Plan document but let us not forget that it is the expansion of activities in both the public and private sectors which will absorb the growing army of the unemployed.

The private sector units have lent their full support to increasing production though their efforts have been thwarted by the tight credit policy and high interest rates. While the government has categorically refused to give any relaxation in regard to both for fear of destabilising the price situation, it needs to be emphasised that underutilisation of available capacity will be hardly helpful in the attainment of the goals the planners may set in the revised Plan.

Money for modernisation

THE EXECUTIVE committee of the Federation of Indian Chambers of Commerce and Industry (FICCI), at its meeting held in Bombay on June 12 this year, suggested that an outlay of Rs 1340 crores would be needed for the modernisation and rehabilitation of traditional industries such as cotton textiles, jute, and sugar. It is not known if the FICCI has made specific proposals as to how these funds are to be obtained, apart from urging that the Industrial Devlopment Bank should make available on easy terms a part of the funds deposited by companies. The government of India should give increased attention to modernisation since these industries play a major role in earning foreign exchange and in providing employment. In his budget speech on May 15 this year, Mr C. Subramaniam, the union Finance minister, said that it was "a matter of particular concern to us that such important industries as cotton textiles, jute manufactures and sugar have not devoted enough resources to modernisation and expansion". He rightly said that the country had "a vital stake in the good health of these industries".

The programme of modernisation can be expeditiously implemented only if the government and the industry work in close cooperation with each other. Mr Subramaniam said in his budget speech that "fiscal policy should be oriented to provide the necessary stimulus for the growth and modernisation of the corporate sector". But is the fiscal policy at present really oriented in this direction? The government has been far too selective in giving the investment allowance and has imposed conditions some of which are not easy to fulfil. Moreover, the policies of the government in regard to pricing, credit, imports, and labour relations should also be so implemented as to facilitate the rapid modernisation of industries.

pricing policy

In the case of the sugar industry, for instance, the pricing policy has put many units to loss. Studies by the Reserve Bank of India have revealed that the average return for the sugar industry for the 13 years ending 1973 was only 9.2 per cent while it was 13.9 per cent for other industries. According to the Indian Sugar Mills Association, (ISMA), as many as 32 per cent of the units suffered loss in 1973-74. In 1974-75 the proportion of losing units was estimated at between 70 to 80 per cent. The industry has also been facing delay and difficulty in getting bank credit. The ISMA recently pointed out that in many cases the time-lag between the date of application and the actual sanction of increased limit was more than six months. It has been estimated that there was a resource gap of about Rs 120 crores between the actual requirements of bank finance and its avilability in respect of the members of the Association.

The profitability of the cotton taxtile industry has also suffered because of the recessionary conditions and the operation of the controlled cloth scheme. At the annual general meeting of the Indian Cotton Mills' Federation (ICMF) held in Bombay on September 30 last year, it was observed that "the present recession has mauled the industry so badly that it will take another five years to balance itself" and that "the prospects for modernisation are remote, unless the industry is allowed to earn reasonable profits and retain them for that specific purpose commensurate with the availability of indigenous machinery". In the jute industry also, the poor financial condition of the mills has been an impediment to modernisation. The industry has pointed out that the introduction of the investment allowance by itself will not help it to go ahead with its scheme of modernisation and that financial assistance has to be provided in a more effective manner.

textile machinery

The availability of textile machinery from indigenous sources has improved in recent years. The value of the cotton textile machinery produced in India went up from Rs 30.23 crores in 1970 to Rs 72.51 crores in 1974 and to Rs 61.55 crores in the first nine months of 1975. The industry has also achieved much success in exporting its product. In 1972-73 the value of textile machinery exported was Rs 4 35 crores which increased to Rs 17.27 crores in 1974-75 and Rs 15.24 crores in 1975-76 (April to October). But imports of textile machinery, components and accessories also inceased from Rs 16.41 crores in 1972-73 to Rs 17.17 crores in 1973-74. These amounted to Rs 11.15 crores in 1974-75 (April to December). The textile machinery industry has a large unutilised capacity. The licensed and installed capacity of the industry at present is officially placed at Rs 255 crores and Rs 213 crores respectively.

The capacity for manufacturing jute mill machinery is also considered to be sufficient. The total value of jute mill machinery, spares and accessories produced in the country in the first ten months of 1975 was Rs 4.42 crores against Rs 5.50 crores in the same period of 1974. A recent report issued by the union Commerce ministry has said that "rapid erosion of export demand for Indian jute good and the difficult financial condition of the jute mills has led to a contraction of demand for jute machinery for modernisation and replacement and as a result, there was considerable under-utilisation of capacity of the jute mill machinery manufacturing units".

But the availability of machinery from indigenous sources will not by itself help to speed up modernisation unless the industries are enabled to secure it at reasonable cost. There has been a general complaint that the Industrial Development Bank is charging high rates of interest. But Mr Raghu Raj, the chairman of the bank has denied this charge. In a recent speech at Calcutta, he said: "I have heard the view expressed that the cost of funds under our machinery bills rediscounting scheme is quite high. Correct calculations will show that the interest incidence works out to about 15 per cent for a period up to five years. You will agree that this compares favourably with the interest rates the banks charge. Moreover, our scheme is more or less an automatic scheme which allows the replacement, modernisation, rehabilitation, and expansion needs of units up to some limits to be met promptly without any IDBI appraisal. This has been a very popular scheme particularly among the textile mills and has been helping the modernisation programme of the mills considerably. The scheme has also helped a number of small and medium entrepreneurs to carry out their expansion schemes expeditiously. I may mention that the assistance under the scheme does not attract any conversion clause". But the fact that modernisation has been making very slow progress seems to indicate that the IDBI's scheme is not as popular as it is claimed. The FICCI, the ICMF, the ISMA and the Indian Jute Mills Association should make detailed studies of the problem of modernisation and offer specific suggestions as to how this programme is to be financed and implemented in a short period.

Bank rate and borrowing rates

THE BANKING system may soon be in a position to meet all the needs of the central and state governments and public bodies and borrowers in the priority sectors, once its preoccupation with the expansion of food credit subsides and other ways are devised for handling surpluses of foodgrains in periods of plenty. The Life Insurance Corporation, provident funds and Trusts are also adding to their resources increasingly and the vigorous monetisation of the economy and inculcation of the habit of regular savings from the current income may well result in a significant augmentation of the aggregate pool of resources. The only question is how far the new trend in growth of bank deposits is reliable and to what extent the recent additions to the working funds of scheduled commercial banks have been exaggerated by a heavy inflow of invisible receipts.

The increase in deposits of the scheduled commercial banks between December 26, 1975 and June 11, 1976 has been spectacular at Rs 1328 crores against only Rs 733 crores in the corresponding period in 1975. Also between March 28, 1975 and March 26, 1976 the rise was impressive at Rs 2,196 crores. With a sizable improvement in agricultural production and better functioning of the branches of rural banks and scheduled commercial banks, it may not be wrong to presume that the additions to deposits in the year ending March 31, 1977 will be even Rs 3,000 crores against the estimate of the Reserve Bank of Rs 2,600 crores.

The contribution to this new growth rate through remittances from non-residents to dependents in this country may be Rs 400 crores if not more, while the opening of accounts by non-resident Indians may be providing another Rs. 200 crores. It can, therefore, be said that the mobilisation of deposits from the indigenous sources will be around Rs 2000 crores annually. This performance is commendable as not long ago the annual rise in deposits was only Rs 1200 crores and Rs 400 crores in the mid sixties.

The lending institutions would have had a problem of disposing of their funds in the past few months if there had been no large expansion of food credit. Against rise in deposits by Rs 1,327 crores, non-food credit grew by only Rs 478 crores against Rs 357 crores in the same period in 1975. Food credit on the other hand increased to the extent of Rs 1,227 crores out of which the refinance facilities provided by the Reserve Bank accounted for only Rs 499 crores. The banks have thus found out of their own resources as much as Rs 726 crores for financing procurement operations. Investments in government securities and treasury bills alone were higher at Rs 260 crores against Rs 111 crores. Even in the first half of 1975 the increase in food credit was more than the rise in non-food credit, with their shares being Rs 595 crores and Rs 357 crores respectively.

additions to deposits

In the nine months ending March 31, 1977 the additions to deposits may be in the region of Rs 2,300 crores. Food credit may not account for an additional Rs 500 crores and if the present system of refinance continues to be in force the draft on bank funds will be only Rs 170 crores. The growth in non-food credit may not be more than Rs 1300 crores, based on the experience of banks in 12 months ended June 11, 1976. During this period the increase in aggregate advances was Rs 2528 crores with an expansion of food credit by Rs 1356 crores. Non-food credit rose by only Rs 1,172 crores.

What are the justifiable inferences from these trends? Obviously, food credit cannot be rising at the last year's rate as it is not necessary to have buffer stocks including operational stocks of more than 18 million tonnes. Yet there will be an inevitable rise to over 21 million tonnes by March next year if there is a repetition of the happenings of the last kharif season. Actually, a bigger accumulation could be avoided only with a relaxation of restrictions on movement of foodgrains or sizable exports. There will also have to be a total ban on food imports. A definite view in this regard can of course be obtained only when the monsoon has behaved satisfactorily,

surfeit of funds

On the assumption that the growth in deposits in the nine-month period will be Rs 2300 crores and food credit will absorb a net amount of Rs 170 crores out of deposits, there will be a balance of Rs 2,130 crores available for disposal. The usual 40 per cent will have to be segregated for observing statutory obligations and maintaining reasonable cash balances. These will account for Rs 920 crores with investments alone accounting for Rs 759 crores. There will thus be an availability of Rs 1,210 crores against which the expansion of non-food credit will be around Rs 1000 crores. There will of course be wide fluctuations in the use of credit at particular stages; but this analysis shows that banks will be in a position to invest additionally Rs 210 crores in government and approved securities over and above Rs 759 crores as indicated above. Will it then be correct to say that banks alone will be providing over Rs 950 crores for the borrowing programmes of the central and state governments and public bodies in the next nine months? Alternatively, there may not be any need for making full use of refinance facilities.

It is against this background that the central and state governments have to formulate the policies for borrowing in the current financial year. A somewhat bold approach has already been adopted by the Reserve Bank in respect of issues of bonds by the financial corporations and state electricity boards in the past few weeks. The central government too has raised nearly 50 per cent of its net requirement for 1976-77. Against a notified amount of Rs 475 crores for three new loans, subscriptions were Rs 522.50 crores. Allowing for the repayment of maturing 4¼ per cent 1976 loan outstanding to the extent of Rs 260.16 crores, the net amount secured was Rs 262 crores. The budget estimates have assumed gross borrowing at Rs 810 crores and net borrowing at Rs 535.06 crores. After the funding operation in the first week of July, there will be only a small repayment of Rs 14.78 crores relating to 2¾ per cent 1976 loan maturing on September 16, 1976. The centre can hope to raise Rs 288 crores and much more before March next year as banks alone would be in a position to fork out additionally Rs 700 crores for all new loans, after the completion of first tranche of the borrowing programme.

encouraging outlook

The net amount borrowed by the central exchequer can, thus, be easily Rs 650 crores exceeding the budget estimate by Rs 115 crores. Even then a sizable balance will be available for the state governments and public bodies as no account has been taken in these calculations for the contributions of Life Insurance Corporation and provident funds. The centre can hope to repay the maturing 2¾ per cent 1976 loan out of its own resources and come on the market again in October after the state loans are out of the way, with the notified amount of Rs 300 crores. The outlook for borrowing is thus quite encouraging for all governments and public bodies.

There should have been normally a disposition to secure the requirements of these borroweres on even a cheaper basis. The Reserve Bank, however has confirmed its faith in the present policy of dear money as the new medium-dated and long-dated central loans have been made more attractive for institutional investors while the short-medium dated loan has a lower redemption yield. This clearly shows that the Reserve Bank is not contemplating any major change in monetary policy in the immediate future. The three new loans have, as stated above, a notified amount of Rs 475 crores. The short-medium dated 5½ per cent 1984 loan has an issue price of Rs 99.50 against the 5½ per cent 1982 loan with an issue price of Rs 99.40.

issue price raised

The issue price has thus been raised even with a longer duration of eight years against seven years previously. The medium dated loan, however has an issue price of Rs 98 against Rs 98.50 previously even though the duration is unchanged at 18 years. Also the long-dated loan will be maturing after 24 years against 28 years previously, with the issue price unchanged at par. The interest rates for the medium dated and long dated loans are the same at 6 per cent and 6¼ per cent respectively. The Reserve Bank is probably feeling that the banks must help secure a larger interest income on their investments with a bigger proportion of medium and long dated loans in new additions though the open market operations in recent months have not been pursued logically.

It is not clear whether any great significance should be attached to the tactics adopted by the monetary authorities as the Bank rate is out of line with the borrowing rates of the governments, while the lending rates on advances charged by member banks are still high. There can thus be a reduction in the bank rate and the lending rate without lowering deposit rates or interest rates on loans and bonds. The profitability of working of banks will not be adversely affected as they will have much larger funds at their disposal and there has also been better control over administrative expenses. The developments in the next nine months have therefore great significance for the money market.

Wool : three bags half-full

THOUGH INDIA has one-sixth of the world population of sheep, it is not considered among the major wool producers, nor can it supply all the fine wool for its organised mill sector. According to the International Wool Textile Organisation, which has reported on the world wool situation recently, the most important producers of wool are Australia, the Soviet Union, New Zealand, Argentina, South Africa, the United States, Uruguay and Britain. During 1975-76 Australian output, though lower than the previous year by five per cent, was 752 million Kg. Soviet Union had produced 463 million Kg, New Zealand 300 million Kg, Argentina 190 million Kg and South Africa 110 million Kg. Lower in the rung, below the 100 million Kg mark, came Uruguay with 63 million Kg, United States 57 million Kg and Britain, a small country so far as size is concerned, with 51 million Kg of wool. India with some 35 million Kg came nowhere near the giant producers of the world.

It is estimated that 57 per cent of the total wool produced in this country is of carpet quality and 43 per cent of apparel quality. Of this 43 per cent, 15 per cent is of the combing type and the rest used for woollen apparel.

The Indian Woollen Mills Federation puts the total requirements of wool and other raw materials such as acrylic fibres by the mill sector on a two-shift basis at 25 million Kg. Mills are importing raw wool to the extent of about 10 million Kg per annum mainly from Australia.

According to the estimates of the Textile Commissioner, with an installed capacity of 205,000 spindles in the worsted sector and an additional 103,300 spindles proposed to be installed in the fifth Plan period, our requirements of wool in the worsted sector on a two-shift basis would be around 38 million Kg of scoured or double that amount of greasy wool. As for carpet manufacture, the installed capacity plus contemplated expansion would bring our requirements of scoured wool to some 21.5 million Kg for this sector.

While we import fine wool for our mill sector, we also export some varieties of raw wool. It is however encouraging that the export of raw wool is showing a progressive decline while that of woollens is steadily on the increase. Till 1966-67, export of wool was on an average 11 million Kg. In 1971-72 it declined to 2.5 million Kg to rise again to 5.5 million Kg in 1973-74. Import of fine wool has shown considerable decrease over the last few years. From 18 million Kg in 1969-70 imports dropped to 10 million Kg now. This downtrend must continue with the advance of the programme for the production of fine wool in the country.

Wool is not only important as a raw material for apparel in our hilly areas with extreme climate where it is most essential to ward off cold, woollen fabrics and hosiery are items of export, earning sizeable foreign exchange. The country had earned some Rs 85 crores of foreign exchange in 1973-74 through the export of sheep products. This was 17.4 per cent of the foreign exchange earnings from all livestock products in that year. The products for export were wool and woollens, skins, mutton and mutton products, casings and live animals.

The export of sheep skins has shown a steep rise with the figures for 1973-74 at Rs 32 crores, being double that of 1970-71. This trend can be maintained provided there is improved flaying and curing. Mutton, casings and live animals also have a tremendous export potential. Tinned meat and meat products can be exported particularly to the oil-rich west Asian countries.

With this potential in sheep rearing and wool production, the report of the National Commission on Agriculture has not come a day too soon. The recommendations have been made over a perspective of twentyfive years up to 2000 AD, and if implemented in right earnest, they are bound to have a healthy impact on the income of our rural sector and the earning of foreign exchange.

employment potential

Rearing of sheep provides employment opportunities to the weaker sections of our people such as Harijans, the landless and the nomadic bakarwals in hills and arid zones. It also provides supplementary income to the marginal and small farmers in the plains. Rearing of indigenous breeds does not interfere with grazing by cattle because sheep graze very close to the roots of the herbage in sparse areas in which cattle cannot normally graze because of low-set vegetation.

Consequently the yield of wool or meat is very low. The Rajasthan sheep, for instance, does not even yield 1½ Kgs of coarse wool as against 5 to 6 Kgs of fine wool produced from sheep in Australia, New Zealand or Britain. Similarly, while the maximum weight of indigenous rams of local breeds is 36 Kgs and that of ewes 27 Kg, exotic rams weigh up to 113 Kgs and ewes 74 Kgs. The wool produced in the country is mostly of inferior variety capable of use mainly in carpet making. Even carpet wool lacks that lustre which is found in Iranian, Afghan or Chinese carpets with the result that our carpets fetch in foreign markets one-third of the price obtained by the Iranian or other woollen carpets.

Sporadic attempts have been made from time to time for crossing indigenous with exotic wool breeds like Merino, Rambouillet and Polworth. From the results it appears that in arid and semi-arid areas exotic inheritance can be stabilised around 50 per cent. This would suit carpet industry well. As for fine quality wool, hill areas of Jammu & Kashmir, Himachal Pradesh, and Uttar Pradesh, and some parts of north-east India are suited for breeding exotic types of sheep. Nilgiri hills also can be tried for superior quality wool. Cross-breeding on a large scale up to 75 per cent heritage can be resorted to in these areas with Rambuillet and Merino, as large areas of grazing land of high quality are available for these breeds to thrive in. The All-India Co-ordinated Research Project on Sheep Breeding is working on the evolution of strains which can stand different agro-climatic conditions and yield fine quality wool and higher quantity of meat. There is no doubt that it will be able to evolve better yields. It however remains to be seen if the increase in quality and quantity of these cross-breeds are commensurate with the investment involved in concentrates, feed and fodder which our farmers can ill afford.

annual yield

At present there is hardly any investment made in sheep rearing by the rural folk. Yet it is estimated that annually our sheep population yields 34.5 million Kg. of wool, 101 million Kg. of mutton, 14.6 million pieces of skin, and undetermined benefits by way of casings and manure. Farmers consider sheep droppings a quality manure and let flocks loose in their fields after harvesting.

Sheep rearing can thrive only as part of an integrated programme of rural development. It is no use introducing exotic cross-breeds until proper arrangements are made for their feed and fodder. There is no dearth of land which can be developed for grazing. Experiments conducted by Arid Zone Research Institute, Jodhpur, have found that Rajasthan can provide ample land for grazing purposes for sheep. So can tracts in Jammu & Kashmir and Himachal Pradesh be further developed into lush green pastures by the use of fertilisers.

Artificial insemination has not been introduced in the country on any scale in sheep-rearing. But if the National Commission's prospective is to come true, there is no alternative to its introduction in the development of sheep stock. Artificial insemination has played a significant role in the upgrading of stock in the Soviet Union and other east European countries.

exploited people

Shepherds and sheep farmers are an exploited lot. The present marketing system allows large profits to beoparis and commission agents. The National Commission on Agriculture has recommended the setting up of a wool board for developing, grading, warehousing and marketing of wool. This suggestion needs to be immediately implemented because the work of grading and marketing of wool by the state departments only hampers their development work by divided attention.

The requirements of wool and mutton are steadily rising. More and more people have started eating meat. Though the sheep population also has been mounting, there has been only marginal improvement in breed with the result that our mills have to depend on import for long staple fine wool. Both in the interest of import substitution and export prospects, which are unlimited, it is necessary that the recommendations of the National Commission on Agriculture on sheep and wool development are taken seriously and every help rendered to the sheep farmers who come from the weaker sections of the population. An integrated plan of rural uplift should find an important component in sheep and wool development.

Capital's Corridors

R. C. Ummat

Agro-Industries Corporations • New Projects Industrial Output • Indo-Pakistan Trade

THE STATE agro-industries corporations are stated to have diversified a great deal their activities in non-traditional fields in the recent past. The new activities taken up include the manufacture of agricultural implements, spare parts for tractors, power sprayers and small tools, diesel sets and power tillers and processing of food and vegetable products. They have also gone into the assembly of tractors and put up such other projects as oil extraction plants, compost plants, maize milling units, NPK granulated fertiliser plants, pesticides formulation units, fisheries projects, etc. Originally, the main functions of these corporations were the distribution of agricultural machinery and implements and establishment of custom-hiring centres and workshops.

notable achievements

The states in which notable achievements have been registered in diversifying the activities of agro-industries corporations include Punjab, Haryana, Himachal Pradesh and Uttar Pradesh in north India; West Bengal, Bihar and Orissa in the east: Maharashtra and Gujarat in the west; Madhya Pradesh in central India and Karnataka, Andhra Pradesh and Tamil Nadu in the south.

The Punjab Agro-industries Corporation has drawn up an ambitious programme for manufacturing and setting up gobar gas plants, besides producing storage bins and agricultural implements. It is expected to put up in the near future a cotton-seed processing unit also. The Haryana corporation has recently put up a unit at Sahabad-Markanda, in the district of Kurukshetra, for producing NPK granulated fertilisers to a capacity of 50,000 tonnes per annum and a fruit processing plant at Murthal near Sonepat. It has as well started an aviation wing for undertaking aerial spraying of pesticides.

World Bank aid

The Himachal Pradesh corporation has undertaken a project, with assistance from the World Bank, for the marketing and processing of apples. With a view to securing better return for apple-growers, it has also constructed at Delhi and Bombay two cold storages. In Uttar Pradesh, the agro-industries corporation has taken up even the manufacture of scooter spare parts, besides the production of agricultural implements and tractors. It has also set up a pulp manufacturing unit in Almora, packing case factories at Pauri Garhwal and Chamoli, a mentha oil plant at Kunda and three canning and bottling units at Pauri Garhwal, Hapur and Kanpur.

The Madhya Pradesh Agro-industries Development Corporation has gone in a big way for the production of improved seeds.

The West Bengal corporation has started a scheme for the manufacture of diesel engines and pesticides. It has also proposed to put up in the near future compost plants at several places in the state. The Bihar corporation has established a project for the assembly and sale of Kubota power tillers in arrangement with the Kerala Agro-industries Corporation. In Orissa, the major activity of the agro-industries corporation is the development of the dairy industry.

The Maharashtra Agro-industries Development Corporation has gone in a big way to manufacture fertilisers. Two units for the production of NPK granulated fertilisers each with a capacity of 45,000 tonnes and another for the production of super-phosphates to a capacity of 45,000 tonnes have been set up at Rasayani and Nasik. Another important activity of this corporation is the manufacture of animal feed for which one factory with a capacity of 3,000 tonnes has already been set up at Goregaon and another with a similar capacity is proposed to be put up shortly at Chirchwar, near Poona. The Gujarat corporation has established two compost plants at Ahmedabad and Baroda and has launched recently on a fisheries project costing about Rs 2.5 crores. Three cold storages have also been set up by this corporation. It has further taken up agro-aviation for aerial spray of fertilisers. The corporation has as well launched consultancy services for the preparation of project reports for establishing compost manure plants elsewhere in the country.

varied products

The Karnataka corporation has put up a modern maize milling plant and is undertaking through a subsidiary corporation the establishment of mechanised compost plants. It has also recently gone into tomato processing at Hebbal, manufacture of oil and proteins at Raichur, cultivation and processing of mushrooms, production of cigarettes and tobacco for export and formulation of pesticides. In Andhra Pradesh, a pesticides formulation plant has been set up at Kurnool. A similar project is there to the credit of the Tamil Nadu corporation also which is further setting up a modern nylon-making plant at Madras, an oil milling complex at Dharmapuri and a maize milling unit at Paddu Kotai.

The Assam Agro-industries Corporation has taken up a project for the manufacture of granulated fertilisers and cattle feed. The Jammu and Kashmir corporation has started production and supply of balanced poultry feed, besides undertaking land reclamation work in the Chhamb-Jaurian area. A cold storage has also been set up by the Jammu and Kashmir corporation in Delhi.

The diversification of the activities of the state agro-industries corporations is expected to improve their profitability considerably in the years to come. The Maharashtra corporation is stated to have reaped during the last financial year a profit of Rs 10 crores.

The public sector units under the charge of the ministry of Industry are understood to have started manufacturing for the first time in the country several new items. These include multi-rope friction winders and flame-proof coal drills by the Mining and Allied Machinery Corporation: minimum oil circuit-breakers and special type heat exchangers by Bharat Heavy Electricals; front auto chucking lathe for manufacturing thick bottom thin walled vessels by Central Machine Tools Institute; multi-layer vessels suitable for extra high pressures, cryogenic nitrogen vessels and special shift converters by Bharat Heavy Plates and Vessels; heavy coil transport system by Heavy Engineering Corporation: 60/10-tonne level luffing cranes by Jessops and 20-tonne low bed trailers for the defence sector by Brithwaite. The last two companies, the management of which was taken over by the government of India a couple of years ago, have been nationalised this week in consonance with the declared policy of not returning the sick units taken over by it to the original owners.

Several major schemes have been sanctioned recently with a view to improving the operations of some of the public sector undertakings under the charge of the ministry of Industry. These are: (i) putting up of a plant at Tiruchi, involving an investment of Rs 58 crores, for the manufacture of seamless steel tubes under the aegis of Bharat Heavy Electricals Limited, (ii) adding of balancing facilities at a cost of about Rs 8 crores to the heavy engineering complex at Ranchi, (iii) setting up of a national welding research institute, costing about Rs 3.76 crores, near the BHEL plant at Tiruchi, (iv) establishment of a numerically controlled machine centre, involving an expenditure of Rs 2.48 crores, at the Central Machine Tool Institute, Bangalore, (v) adding of an ultra high voltage laboratory to BHEL's plant at Bhopal at a cost of about Rs 4.62 crores, and (vi) expansion of production of hair and main springs for wotches at Hindustan Machine Tools, Bangalore.

The scheme of 25 per cent excise rebate for excess production announced by the union government recently, has been hailed by industrial circles. It should not only give further fillip to production but also stand the industry in good stead at the present time when its cash flow position is rather tight.

The decision to apply the concessional rate of duty to the entire output of units which came into production on or after April 1, 1976, has been particularly appreciated. In the case of the older units which were in production before April 1973, it is, however, felt that the base should have been the average of the last three years' production rather than the highest production in any of these years. It is also pointed out that the extension of the scheme to all excisable commodities manufactured in backward areas would be very helpful in accelerating their development. It is further felt that there were many other items of mass consumption as well as those constituting essential industrial raw materials to which the scheme could have been applied. Indications are that it might be extended to the textiles and paper industries.

Meanwhile, the latest statistics indicate that industrial growth in the organised sector last year was as high as 5.7 per cent, against the earlier estimate of 4.5 per cent. If note is taken of the fact that the small-scale sector's output grew by over 11 per cent during the year, the total industrial growth in 1975-75 works out at just under seven per cent. The index of industrial production hit an all-time high at 137.4 in March last. It was 10.3 per cent more than the level in March, 1975. The railway loadings last year—222 million tonnes—too were an all-time record. They consisted of 196 million tonnes revenue earning traffic and 26 million tonnes non-revenue earning traffic (materials, including coal, meant for railways' own use).

The union government has decided to allow with effect from July 15, 1976, participation in Indo-Pakistan trade by private importers and exporters also. Hitherto, following the conclusion of an agreement between the two countries in January 1975, this trade was on government-to-government account through the state enterprises and organisations. Private trade has now been permitted subject to the policy, procedures, rules, orders and regulations as may be enforced from time to time.

The opening up of the private trade channels which have remained closed for nearly a decade now should help further normalise the relations between the two countrier. To facilitate this trade, the rail transport link between Amritsar and Lahore is also being restored next month.

POINT OF VIEW

Planning today

Sankar Ghose

At a recent meeting of the Delhi Study Group, Mr Sankar Ghose, union minister of state for Planning, briefly touched upon the progress of planning in this country during the past 25 years and discussed in detail the progress of the economy in 1975-76 and the Plan for 1976-77. He said that the basic approach in the current year's Plan is "one of promoting growth with stability and social justice." Mr Ghose believes that to make planning successful in our country, the planning machinery at the state and sub-regional levels needs to be strengthened.

INDIA HAS completed twentyfive years of planned development. Starting from the first Plan (April 1951 - March 1956), the country has formulated and implemented four five-year Plans, three annual Plans and is in the third year of the fifth five-year Plan. These plans form a continuing process, both in terms of investments and benefits. They also present a picture of evolution in basic socio-economic policies. Inevitably, there are important adaptations from one phase to another, reflecting both changing conditions and new problems arising out of fresh experience and evaluation.

long-term perspective

Each five-year Plan is conceived against a long-term perspective. The first Plan was set against a simple projection of economic growth over a period of thirty years from 1951 to 1981. The second Plan was worked out in relation to a perspective extending up to 1976. The third Plan was drawn up and implemented explicitly as the first phase of a fifteen-year Plan for the period 1961-76. In view of the uncertainty created by the conflict with Pakistan in 1965, suspension of assistance by aid-giving countries and the poor harvests of 1965-66 and 1966-67, three annual Plans (1966-69) were undertaken before conditions were found propitious for launching the next five year Plan. The fourth Plan (April 1969—March 1974) was formulated against the perspective extending up to 1980-81. The draft fifth five-year Plan delineates the profile of growth up to 1985-86.

economic strains

The fifth five-year Plan has completed two years of its five-year span and is now running in its third year. It may be recalled in this context that the country has been experiencing increasing economic strain since 1971-72, first due to refugee influx that preceded the liberation of Bangladesh and followed by occurrence of droughts and floods in large parts of the country, unprecedented hike in international prices of petroleum, sharp rise in domestic and international price levels, smuggling and black marketing, and dwindling respect for law and order.

The declaration of emergency and introduction of the twenty-point programme announced by the prime minister put a stop to this economic and political indiscipline and created conditions for a more orderly growth. As a result the Indian economy witnessed during the preceding year (1975-76) a commendable degree of price stability, substantial increase in agricultural production, especially of foodgrains, acceleration in industrial growth, increased supply of various essential commodities and inputs and greatly improved industrial relations.

The most conspicuous feature of the economic scene during 1975-76 has been the reversal of inflationary trends. The downward trend in prices which began in October 1974 was, on the whole, maintained during 1975-76. Even during the lean period between April and September, the wholesale index of prices moved within narrow limits; but after the end of October, 1975, there occurred a significant decline in the wholesale prices. The wholesale price index in the last week of March 1976 reached 282.9, the level prevailing two years back and was lower by 7.9 per cent than a year ago and by 14.4 per cent over end September, 1974. Even the average index for 1975-76 has been lower by 3.3 per cent over that of 1974-75. This negative rate of inflation is by no means a mean achievement viewed in the context of the present international price situation.

fall in prices

The fall in the general index of wholesale prices and particularly those of food articles has been followed by a somewhat similar fall in the index of consumer prices, The All-India Consumer Prices Index for Industrial Workers in the month of March 1976 reached 286 and was lower by 10.9 per cent over a year ago and 14.6 per cent over October, 1974. The Consumer Price Index for Agricultural Labourers registered even a larger fall—by 24.1 per cent during the period October, 1974 and February, 1976

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because of the greater weight of food in the consumption basket.

The favourable price situation has been brought about partly through a substantial increase in the agricultural production and partly through the pursuit of a number of vigorous and stringent policy measures.

A constant watch was also kept on the trends in the growth in money supply, deficit financing and bank credit to the commercial sector so as to keep the increase in aggregate monetary resources in proper relationship with the increase in real output. Despite increased provisions made for non-plan items of expenditure such as export promotion, support to the public sector units, fertiliser subsidy, defence expenditure and dearness allowance to central government employees, and the increased central assistance of about Rs 198 crores provided to the plans of the states and the union territories, the deficit financing, according to the revised estimates, has been of the order of Rs 490 crores. According to present indications the year might close with a smaller order of deficit financing.

credit restraint

While keeping in view the considerations of price stability and the need for stimulating investment and production particularly in the priority sectors, an overall policy of credit restraint was continued to be followed by the Reserve Bank during the year.

Besides continuing the anti-inflationary measures initiated in the middle of 1974 a number of other measures were adopted, particularly after the emergency, to ensure price stability. These included crack down on economic offenders—black marketeers, profiteers and smugglers, restricting the use of unaccounted funds, statutory requirement of exhibition of prices and of stocks of selected essential commodities by traders, mandatory display of weights, measures and identity on pre-packed commodities and banning of sole selling agencies in certain industries such as vanaspati, sugar, paper and cement. These measures combined with the dehoarding operations undertaken by the government on an extensive scale led to change in the psychology of both the consumer and the traders resulting in the sellers' market turning into a buyers' market in various essential commodities.

distribution system

The public distribution system for essential commodities especially cereals, sugar, kerosene, soft coke and controlled varieties of cloth has been sought to be further strengthened to ensure a wider coverage of the vulnerable sections of society in the rural, hill and coastal deficit areas as well as industrial workers and the student community. The involvement of the cooperatives in the public distribution system has been enlarged. The civil supplies department has been also monitoring the production, prices and supplies of various other essential products such as cultural paper, essential drugs, baby food, tyres and tubes. A model scheme has been undertaken in Delhi and Nainital. It is proposed to extend it to a few other centres.

The procurement prices of both rabi and kharif cereals were maintained at previous year's level as an important ingredient of stable price policy. However, to ensure a fair return to the growers and to protect their real incomes, the government decided to extend support to rabi cereals including barley as well as to gram. Statutory minimum prices of sugarcane as also of raw jute were kept unchanged. The prices of controlled cloth were kept unaltered. Sizable imports of selected wage goods—foodgrains, edible oils such as palm oil, were arranged with a view to build up a buffer stock and thus augment indigenous availability.

The current year's annual Plan (1977-76) has been formulated against the background of these improvements in the overall economic situation. The Plan takes into account the new sense of discipline and dynamism infused into the economy and the new direction to the planning process given by the 20-point economic programme announced by the prime minister. Special care has been taken to ensure that the increase in investment over the original Plan allocation does not lead to any inflationary pressure in the economy.

The basic approach of the Annual Plan 1976-77 is one of promoting growth with stability and social justice. The outlay of Rs 78,520 million earmarked for it marks an increase of 31.4 per cent over the previous year's outlay of Rs 59,780 million. This is the highest step-up in development outlay in any one year since the beginning of planning in the country. The increase in development outlay in 1976-77 over the previous year is because of the more pronounced emphasis on agriculture, irrigation, power and industry and minerals which constitute the core sector of the economy.

development outlay

The hike in development outlay in 1976-77 over the previous year is more pronounced in the field of agriculture, irrigation and power as also in industry and minerals. The provision for agriculture and allied services has been stepped up from Rs 6914.1 million in 1975-76 to Rs 8962.2 million, the increase being about 30 per cent. Besides, larger agricultural credit from financial institutions such as cooperatives, commercial banks, Agricultural Refinance Corporation, etc., are to be available as compared to 1975-76.

The outlay for irrigation and flood control has been substantially increased from Rs 4682.2 million in 1975-76 to Rs 6867.9 million in 1976-77. The allocation for power has been stepped up from Rs 11015.8 million to Rs 14534 million, an increase of about 32 per cent. The target of crop production during 1976-77 will be 116 million tonnes of foodgrains, 10.5 million tonnes of oilseeds, 150 million tonnes of sugarcane, 7.5 million bales of 170 kg each of cotton and 6.5 million bales of 180 kg each of jute and mesta.

In view of the increase in planned investment for 1976-77 the production of foodgrains might turn out to be even higher in the coming year if the weather remains as favourable as it was in 1975-76. The main elements in the strategy for promoting agricultural growth and ensuring the achievement of targets of agricultural production are the step-up in the consumption of fertilisers, increase in the area under irrigation, introduction of high-yielding varieties on a more extensive scale, and adoption of soil conservation methods. The irrigation facilities through major, medium and minor works will be extended to an additional two million hectares and the gross cropped area is expected to increase by 2.3 million hectares. Besides the intensive development programme for pulses that has been in operation in 40 districts since 1975, the intensive district programme for major commercial crops like oilseeds, cotton, jute and mesta, as also the sugarcane development in areas around sugarcane factories are proposed to be further intensified.

small farmers

Special emphasis has been given to the improvement of the productivity of small and marginal farmers particularly in the semi-arid zones. The provision for special programmes like small and marginal farmers, drought-prone area and command area development programmes has been substantially raised from Rs 806.6 million in 1975-76 to Rs 938.3 million in 1976-77. A methodology of an integrated rural development programme will be worked out on an experimental basis and a provision of Rs 150 million has been made for this purpose in the Plan.

The outlay for industry and minerals, which forms a substantial portion of the total investment in the public sector in 1976-77, has been increased from Rs 16440.2 million in 1975-76 to Rs 21853.4 million in 1976-77, an increase of about 33 per cent.

The outlook for industrial growth is promising. The position in regard to the availability of key inputs such as steel, coal, cement, power and transport facilities which has already shown improvement is likely to improve further. The installed capacity of power is likely to increase by 2.5 million kW in 1976-77. Railways are fully geared to handle the target of originating traffic of 225 million tonnes against 214 million tonnes in the previous year.

new dynamism

With the expected increase in agricultural production and agro-based industrial inputs, the new dynamism introduced in the working of public sector undertakings and the new climate of industrial peace generated in the economy, it is reasonable to expect that the rate of economic growth this year would be higher as compared to the previous year.

The various constituents of the 20-point economic programme have received massive support in this annual Plan. An attempt has been made to dovetail these programmes with the existing Plan schemes. A provision of Rs 1637.1 million has been made in the plan for various schemes relevant to this programme.

The broad developments of the economy and the investment allocations that we have been making in the Plans recently have been indicated above. However, perhaps more important than the allocations themselves are the strategies that underlie the Plan. Planning is basically to be viewed as the selection of major foci for policy action, given the constraints that the economy is facing and the objectives that it is considered desirable to attain.

Food and the agricultural sectors are of the highest importance in our planning strategy. The production and distribution of foodgrains is related critically with the objective of achieving self-sufficiency as also of providing a desirable level of income and employment which is critically linked with our redistribution objectives. The Plan at present lays great emphasis on these sectors. For large, medium and minor irrigation projects, investment allocations are being provided on the basis of a case-to-case review in order to complete on-going projects. Sufficient attention is also being paid to making new starts in these sectors. Groundwater exploration and utilisation is being given high priority. The national Plan contains schemes for strengthening the groundwater survey apparatus in each state. The Plan emphasises the introduction of new technologies in agriculture, together with the associated inputs, such as, new quality seeds, fertilisers and pesticides. The extension system at the local levels is also being considerably strengthened.

strategic objective

Energy substitution is another very important strategic objective of national planning at present. This involves stepping up investment in, and integrated planning of, the coal sector and restricting the demand for petroleum both through the fiscal mechanism as well as by exploring technological substitution possibilities by taking advantage of increased domestic production. The Plan lays considerable emphasis on this aspect of the matter.

In order to make our planning successful, there is also the need of strengthening the planning machinery at the state and sub-regional levels. It is extremely important that detailed attention is paid to crop planning and related agro-based sectors at the local level in the light of the agricultural strategies enunciated in the national and state plans. The employment strategies of planning in India have to be integrated with the Plan schemes and with the production planning approaches. The

Plan lays considerable emphasis on strengthening the capabilities of small and marginal farmers and landless labourers so that the advantages of investment allocations accrue to the needy sectors. This is an aspect to which very high priority needs to be given. The 20-point programme had laid considerable emphasis on land reforms and on the strengthening of the rights of the disadvantaged sections of the rural population. This is also a very important aspect of our Plan strategy.

Today planning has to be viewed as a set of strategies in which we integrate our investment policies and organisational efforts for meeting the basic objectives of the economy, namely, removal of poverty and achievement of a higher degree of self-reliance.

US-Soviet trade and payments

Dr R.S. Nigam and Dr K. Subbarao

Dr R.S Nigam, Professor and Head of the Department of Commerce, and Dr K. Subbarao, Reader, Delhi School of Economics, hail the recent US-USSR grains-for-oil deal which, in their view, is likely to have a favourable impact on world oil price fluctuations. They also conclude that this deal is expected to bring about stability in international prices of commodities and manufactures which will benefit the developing world as well.

UNFAVOURABLE GRAIN harvests since 1972-73 in a number of countries, particularly in the USSR, culminated in significant alterations in the domestic supply of some countries, with a consequential impact on the volume and pattern of international trade in grains. The Soviet Union which cannot count on favourable weather for its wheat harvest, has been exercising a good deal of destabilising influence on the world grain market. During the past decade, the USSR accounted for 80 per cent of the annual fluctuations in world trade in wheat according to the International Monetary Fund. Changes in the yearly production of wheat in the USSR accounted for 60 per cent of the annual fluctuations in total USSR grain production, and accounted for 30 per cent of annual changes in world grain production. As a result, variations in the USSR imports of grain have been particularly significant since the 1970s. For instance, it bought 2.9 million tonnes of wheat from the USA during the year 1971-72, but in the following year, it increased its purchases by a staggering magnitude to 14 million tonnes. As a result, the year-end stocks of world grain fell to an all-time low level; the volume of trade increased dramatically, and international grain prices rose to unprecedented levels. Besides, peripheral changes in the patterns of trade occurred, escalating freight rates and straining oceanic transport facilities. The sharp rise in international prices of grains has had a pervasive influence on the already inflation-ridden economies of the developing world. Further, these developments led to a substantial improvement in the balance of payments position of the grain-exporting countries, notably the USA, while the importing countries sustained adverse impact on their balance of payments. This has resulted in strengthening the US dollar in international currency market.

massive purchases

This destabilising trend in world cereals trade and price situation originally emanated from the massive purchases of grain by the USSR during 1972-73 when that country experienced a disastrous decline of 13 million tonnes in her wheat production. During early 1975, the USSR imported 17 million tonnes of grain, 10 million of it was from the USA. Despite the significant increase in the USA's cereal production during 1975 which was 42 million tonnes greater than in 1974 (see table, p. 16), the world as a whole experienced lower grain stocks than ever before in the recent past. The US suspended further sales of wheat to the USSR since July, 1975, on the ground that unrestricted Soviet purchases of grain had sent prices soaring for American consumers.

US attitude

Towards the close of 1975, however, the USA found that stocks of grain were piling up once again, so that despite increased consumption at home, it was expected that it would end up with higher stocks. Besides, if the Russian harvests are as bad as is now suspected, its purchases must have a destabilising impact on world prices as well as on stocks of cereals. The US attitude thus has gradually moved in favour of resuming exports— but under a regulatory framework. The recent long-term agreement between the USA and the USSR (signed in October, 1975) reflects the necessity of regulating world trade in grains in the interests of exporting as well as importing countries. Thus, the agreement on grain supply takes cognizance of the need to strengthen long-term economic cooperation between the two big countries on the basis of mutual benefits and equality; recognises the importance of grain production for the people of both countries, and the need to stabilise trade in grains between the two countries.

The main provisions of the long-term agreement signed between the two countries in October, 1975 are as follows:

(a) *Grain supplies* : The agreement

commits the Soviet Union to purchase a minimum of six million tonnes of wheat and corn annually for the next five years. It also permits the USSR to purchase an additional two million tonnes annually without government-to-government consultation. An interesting feature of the agreement is that the US agreed *not* to exercise its authority to control shipments; on the contrary the US government agreed to facilitate Soviet purchases, so spaced out as not to disorganise the international market.

prior consultation

The US retained the right to reduce the quantity if the American estimates of domestic grain supplies fell below 225 million tonnes. This is something they have not experienced for the last 20 years, although they came close to it in 1974—an exceptionally bad drought year. If the Russians want to buy more than eight million tonnes in any one year, prior consultation with the American government is required. One of the hopes of this agreement is that in good years the Soviet Union will store some of its imported grain for the lean years that come around with such regularity.

(b) *Oil supplies* : While the grain supply agreement is already signed, only a letter of intent on the oil supplies from the USSR has been received. The agreement is expected to commit the USSR for a period of five years to offer for sale annually 10 million tonnes of crude oil and petroleum products. Under the intended agreement, the US government may purchase the crude oil and petroleum products for its own use or, by mutual agreement, the purchase may be made by US firms. About 70 per cent of the total quantity offered for sale will be in the form of crude oil. The remainder may be petroleum products, in particular diesel oil and naphtha. A portion of the crude oil or petroleum products will be shipped to the USA in the tankers used to transport grain from the USA to the USSR. Further, some portion of the crude oil or petroleum products may be delivered to Europe or other agreed marketing areas. The prices will be mutually agreed at a level which will assure the interests of both the governments. In addition, it is further understood that efforts will be particularly directed towards the fuller application of the technological capability of both countries in increasing energy output from existing sources and in developing new sources of energy.

(c) *Shipping arrangements* : A maritime agreement has also been concluded between the two countries on the establishment of a freight rate for US flagships participating in the carriage of Soviet grain. A minimum US-Gulf-Soviet-Black Sea grain freight rate of $16.00 has been agreed upon—a rate which is significantly in excess of the prevailing market prices.

index system

An index system for determining monthly grain freight rates with a Black Sea freight rate in relation to the index trade (Gulf/Belgium-Holland) has also been agreed to. This relationship has been raised from 1.5 to 1 to approximately 3 to 1. A new credit/debit system has been agreed upon which, in a low market, provides for the payment by the Soviets of a freight rate which is higher than the market rate and adequate to allow a significant number of US-flag-ships to participate in the trade; and in a strong market provides for an offset. When the credit is eliminated, the rates received by the US flag carriers will be determined under the new index system. A higher minimum demurrage rate for the US flag vessels has also been agreed.

favourable impact

The grains-for-oil deal is bound to have a favourable impact on the farming community as well as consumers in the United States, since it provides for regular and orderly sale of wheat and corn to the USSR. It has assured the US farmers a market in the USSR for six million tonnes of wheat and corn a year for the next five years. This additional *assured* demand will assist farmers in making their planting decisions. Besides, it also protects producers and consumers in the USA and other foreign customers from large and sudden purchases of US grain by the USSR without prior consultation. Apart from this stabilisation gain, it provides $4,000—$5,000 million of potential foreign exchange earnings for the USA over the next five years. The secondary and tertiary benefits in the form of additional employment of labour (jobs for transportation workers and seamen), demand for new farm machinery, etc. can also be expected to be significant. The US government also need not

TABLE I

Major Exporters of Cereals

(in million tonnes)

	Production of grains			Net exports
	1974-75	1975-76	of which wheat	1975-76
USA	198	240	98	70—80
Canada	29	33	16	16
Australia	16	15	10	9
Argentina	19	23	6	8
EEC	108	100	39	(—)6

Source: *Economist*—(London), October 11, 1975.

expect any more trouble from its dockers, who have been adequately mollified by the better terms for the American ships under the maritime agreement mentioned above. Above all, the agreement has neutralised a great destabilising factor in grain trade in recent years.

The American negotiators had hoped to be able to make the grain deal more popular by coupling it with the thesis that the Russians were ready to help the USA in covering its oil deficit. The readiness of the USSR to supply 200,000 barrels a day--roughly a third of the total oil imports into the USA per day—should be regarded as a welcome step in international economic relations.

The USSR is the world's largest producer of oil. Soviet production currently averages about 9.5 million barrels per day. Soviet exports are about 2.3 million barrels of oil per day, including some 1.4 million barrels to eastern Europe, and approximately 750,000 barrels a day to western Europe.

The 200,000 barrels a day which Soviets agreed to sell to the USA under the oil deal may be regarded as relatively small when compared to the US current daily consumption of nearly 17 million barrels per day. Besides, the US was somewhat disappointed as the Russians were unwilling to sell oil at a discount price as was expected by the Americans. The US hopes that securing oil from the USSR at a discount price would put pressure on the OPEC. Since the Russians promised to pay current price for their purchases of grain, they presumably did not see any reason why they should be obliging over oil sales to the USA. Although the price turned out to be a sticky factor, the assurance of crude oil supplies from the USSR should benefit the USA in as much as it represents a further diversification of the sources of US oil imports.

The fluctuations in Soviet wheat production culminating in the grains-for-oil deal is bound to have a major impact on grain-importing developing countries as well. Following adverse monsoon during 1972-73, India contracted for the delivery of four million tonnes of foodgrains (mostly wheat) from the international market and was also loaned two million tonnes by the USSR in the following year. Even when allowance is made for trade under special payments arrangements, the impact of foodgrain purchases when world markets are unstable can constitute a serious drain on the foreign exchange reserves of these countries. For instance, the value of India's grain imports ranged between $200 million—$800 million annually in the recent past. The international prices of wheat and corn are likely to be more stable following the US-USSR grains for oil deal. It should be of considerable long-term benefit to the grain-importing developing countries and is likely to have a favourable impact on world oil price fluctuations. This in turn is expected to bring about stability in international prices of commodities and manufactures which will benefit the developing world as well.

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WINDOW ON THE WORLD

The emerging world monetary system

H. Johannes Witteveen

This is the text of the speech by Mr. H. Johannes Witteveen, managing director of the International Monetary Fund, at the International Monetary Conference held at San Francisco, USA, on June 17, 1976. Mr. Witteveen is certain that the role of gold as a reserve asset will decrease in the coming years and that the Special Drawing Rights will become an increasingly important element in the monetary system.

TWO YEARS ago I had the pleasure of participating in this Conference— at Williamsburg, Virginia—when I was Chairman of the session at which Jeremy Morse spoke on "*The Evolving* International Monetary System." Today, our positions are reversed. Sir Jeremy Morse is now Chairman, and I am giving the address. The International Monetary System is no longer "Evolving": it is "emerging." Indeed, this is a valid distinction, for recently the Fund's Board of Governors overwhelmingly approved a substantial, and wide-ranging, amendment of the Articles of Agreement of the International Monetary Fund, and this amendment is now before governments for ratification. I welcome, therefore, the invitation to address this conference, and to give my views on the system that is likely to emerge as we build on the foundation of the amended Articles.

significant step

The agreement on amendment marks a very significant step in a process that began nearly five years ago. It demonstrates that the collapse of the Bretton Woods system did not mean that nations wished to abandon the idea of a monetary system based on international obligations, internationally administered. The obligations assumed by members of the International Monetary Fund under the Articles of Agreement lie at the very heart of the monetary system, and the IMF has a unique responsibility for its future development. The new Articles explicitly reaffirm this task in that they require the Fund to oversee the international monetary system to ensure its effective operation.

role of IMF

During the economic and monetary disturbances of the last five years, serious questions have been raised about the role the Fund could be expected to play in the new conditions. But I believe that, during these very years, the importance of international monetary cooperation, with the Fund at the centre, has been amply reaffirmed.

Even during a period when events made it very difficult for members to observe certain of their obligations under the Fund's Articles, there remained a strong desire to return to some agreed international order, more in accord with changed conditions. This gave rise to a number of important developments. The decision on central rates and wider margins attempted to reestablish a framework for exchange rates at a time when members still sought a modified form of par value system. Later, there were the guidelines for floating, and the arrangements for special consultations with members on their exchange rate policies.

These decisions recognised that the behavior of countries with respect to exchange rates should continue to be a matter of international concern. And, of course, as our Chairman well knows, there were the difficult and prolonged negotiations on the reform of the international monetary system in the Committee of Twenty and later in the Interim Committee.

oil facility

The Fund has also responded in a variety of ways to two international economic problems of exceptional severity: the increases in oil prices and the most serious recession since the 1930s. In early 1974, following the increases in oil-prices, the Fund took the lead in encouraging members not to adopt policies that would aggravate the problems of other countries. It was particularly important that countries did not resort to the use of restrictions on trade and payments and competitive devaluations. Through the Oil Facility arrangements, finance was made available to assist members in avoiding these mutually destructive measures. At a later stage, in response to the effects of the world recession,

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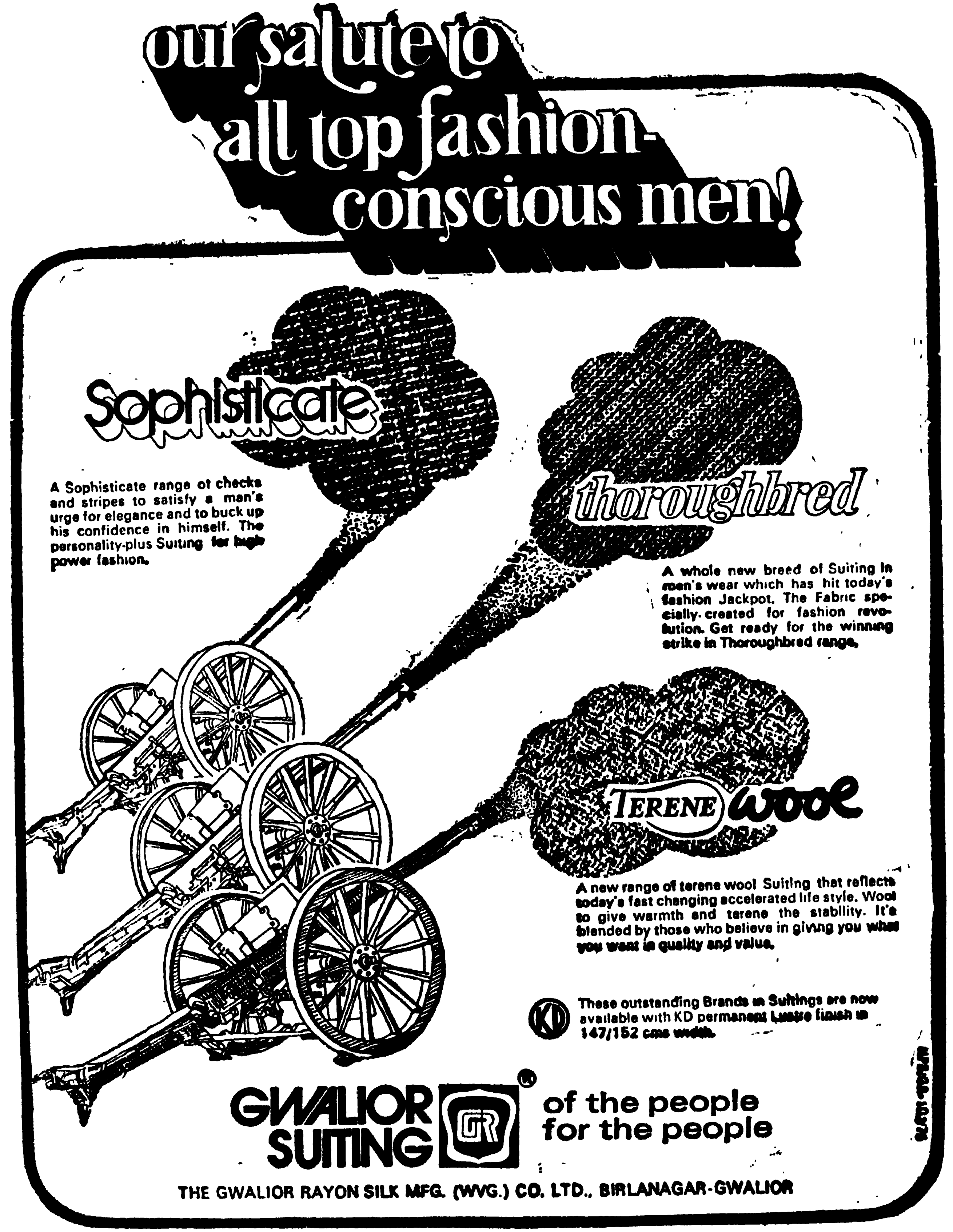

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when payments deficits became heavily concentrated on primary producing countries, the Fund enlarged access to its regular credit tranche facilities, and to its facility for compensatory financing of export fluctuations.

payments deficits

The Fund's actions during these years were taken against the background of widespread and substantial payments deficits. The combined current account deficits of oil-importing countries were $52 billion in 1974; they fell to $35 billion in 1975, and some further reduction is expected in 1976. Since the beginning of 1974, net finance made available by the Fund has totalled over $12 billion, including $8 billion under the Oil Facility. In appraising the magnitude of these amounts it has to be borne in mind that by far the larger part of the current account deficits of the oil importing countries was financed, directly or indirectly, by capital export from the oil exporting countries.

The resources made available by the Fund were of crucial importance to members in dealingwith their residual financing problems. For example, the financing provided by the Fund to non-oil producing developing countries that used the Oil Facility was over one-third of the increased cost of their petroleum imports. Moreover, the linking of financial assistance to the avoidance of restrictions and to policies to promote adjustment in members' balance of payments positions has given other creditors more confidence in continuing to make finance available. In these respects, the Fund's role has been similar to that of a central bank maintaining confidence in its domestic financial structure. There is a clear need for an international organization to accept this responsibility.

During the last several years, the Committee of Twenty and the Interim Committee have played important roles in reviewing the policies and actions of the Fund. Since these committees have been at ministerial level, they have provided the international community with a way of coming to grips with, and resolving the real political difficulties that are often involved in the more important decisions of the Fund. In addition to those I have already mentioned, these decisions have included the method of valuing the SDR; the increase in Fund quotas from SDR 29 to SDR 39 billion; the decision to dispose of one third of the Fund's gold and establish the Trust Fund for the poorer developing countries; and, of course, the agreement on the amendment of the Articles. Moreover, on the basis of periodic examination of the world economic outlook by ministers of Finance, a start has been made towards the possibility of greater coordination of economic policies. I very much hope that this too will prove to be an important element in the emerging international monetary system.

These various developments have confirmed the Fund's ability to adapt its policies and practices to changing circumstances. This power of adaptation will be appreciably enhanced under the new Articles, which make provision for a successor body to the Interim Committee—The Council—with terms of reference that include the supervision of the management and adaptation of the international monetary system.

main features

Turning now to the main features of the amendment of the Fund's Articles, I feel we can be very positive about what has been achieved. It is true that the amendment does not include several features of the detailed blueprint for reform drawn up by the Committee of Twenty. There are no new provisions on convertibility or asset settlement, or arrangements for the control of reserve creation and composition. Nor do the new Articles establish rules for ensuring symmetry in the adjustment process. The greater freedom for currencies to float, and the recent strength of the dollar, have reduced concern with these issues. Moreover, the major uncertainties, and the very large payments imbalances in recent years, have made countries more cautious in accepting new obligations. At the same time, the increased flexibility of exchange rates is making a contribution to an improved adjustment process. As greater stability is achieved over time, there may well be a desire for a more structured system. This might require agreement on some of the issues not resolved in the present reform, but this would not necessarily require a new amendment of the Articles of Agreement.

important step

In many respects, the amendment of the Articles is a very important step forward. The new Articles will be complete in themselves. They confirm the role of the Fund in overseeing the international monetary system. They provide a much more workable basis for the Fund's financial operations than the existing Articles. There are far-reaching changes in the field of exchange rates, and the Fund is given a variety of powers and possibilities in this respect. The role of gold in the monetary system is reduced. The role of the SDR is strengthened. And the new Articles provide the Fund with broad enabling powers so that its own role, and the monetary system itself, can respond to changing circumstances within an agreed legal framework.

Gold is removed from the central position it occupies in the Fund's present Articles. This is partly achieved by the abolition of the official price; by breaking the link between gold and the SDR; by prohibiting the use of gold as a peg for a currency under any future exchange arrangements, including a par value system; and by requiring the Fund, in any dealings in gold, to avoid actions that would manage the price in the market or establish a fixed price.

In addition, there will no longer be any obligatory payments in gold by members to the Fund, or by the Fund to members. The Fund may decide to accept gold from members in payment, but only by a decision taken by an 85 per cent majority and at market-related prices. There is, therefore, no guarantee that it will be possible in the future to use gold to settle obligations to the Fund, and certainly no guarantee on the price to be applied to any such payments. In these respects, the SDR will supplant gold in the Fund's operations, since the Fund will be required to accept SDRs from a member in settlement of obligations.

gold auction

The Fund has also decided to sell one third of its existing gold holdings, with one half of this amount being sold at market prices and one half to the Fund's membership at the official price of SDR 35 per ounce. In implementing this decision, the Fund has successfully conducted its first public auction of gold. The new Articles will require the completion of the sale of the agreed amount, and will allow the Fund to decide—by an 85 per cent majority—to make further sales in either or both of those two ways. These present sales, and any that might be made in the future, follow logically from the agreed reduction in the role of gold in the monetary system.

Moreover, under the new Articles, members undertake that their policies with respect to reserve assets will be consistent with the objective of making the SDR the principal reserve asset in the international monetary system. This undertaking has a bearing on members' future actions with regard to gold, and would apply to agreements such as that concluded last August among the Group of 10 industrial countries. This agreements, which will be reviewed two years from its effective date, bars any action to peg the price of gold. It also provides that the total stock of gold held by the Fund and the monetary authorities of these countries will not be increased.

The role of gold as a reserve asset began to change in 1968, when the main central banks abandoned the attempt to keep the market price at $35 per ounce. The abolition of the official price will eliminate the impediment under the present Articles to purchases of gold by central banks at whatever price they see fit, and will thus, to a certain extent, restore to central banks the possibility of making some use of their gold holdings. Nevertheless, with no pegged price, and with private and official stocks greatly exceeding annual production, gold remains a speculative asset. A central bank needing to sell large quantities of gold at short notice would have no assurance that it could do so, and no assurance on the price. For these reasons, gold is losing some of the essential characteristics of an international reserve asset. While I do not forsee the rapid disappearance of gold from countries' reserves, it can no longer play the active role that it played in the past.

principal reserve asset

Lord Keynes, in his proposal for an International Clearing Union, wrote of the need to establish "an instrument of international currency having a general acceptability between nations." The amendment of the Articles continues the process of establishing the SDR as such an instrument, and members are required to collaborate with the Fund in pursuit of the objective of making the SDR the principal reserve asset of international monetary system. To this end, there will be both immediate changes in the characteristics of the asset, and possibilities for further developments. Immediately, there will be far greater freedom for members to engage in transactions by agreement in SDRs, and much wider possibilities for transfers of SDRs to and from the Fund itself. There will also be greater scope for other official entities to hold and use SDRs, and they will be able to engage in a somewhat broader range of transactions than at present. Provision is also made for the Fund to permit new forms of operations in SDRs; for example, loans or grants, thus helping to bring the characteristics of the SDR closer to those of traditional reserve assets.

gradual process

Like the reduction of the role of gold, making Special Drawing Rights the principal reserve asset must be a gradual process, which will be assisted by the changes in the Fund's Articles. It is true that, largely as a result of the considerable creation of reserve currency balances in recent years, the present issue of 9.3 billion Special Drawing Rights is a relatively small proportion of international reserves. But it should be borne in mind that about 15 billion of reserve positions in the Fund are valued in terms of the SDR. Some SDR 11 billion of this total, including SDR 7 billion borrowed under the Oil Facility arrangements, represent the creation of international reserves through the Fund's credit operations. Although their method of creation and their legal attributes are different, in important respects these assets have economic characteristics similar to those of Special Drawing Rights. The SDR unit has also begun to establish itself in a variety of ways: as a currency peg, as a unit of account in international transport, for bond issues, and as a definition of obligations in many international agreements.

It would clearly be advantageous if the proportion of reserves held in the form of Special Drawing Rights were increased. But as I indicated in my speech in Frankfurt last year, it is not necessarily the quantity of SDRs in existence that will determine their importance. These holdings could well play a pivotal role in a system of international liquidity control, even though SDRs were not — in terms of quantity — the main reserve asset.

Let me now turn to the exchange rate regime. At present, Fund members employ a variety of exchange rate techniques. The currencies of many major countries are floating. But the system cannot be described as one of free floating, for there has been considerable intervention in foreign exchange markets in support of floating currencies. Moreover, the majority of countries have pegged their currencies in some way to other currencies, or to certain composites, such as the SDR or trade-weighted baskets.

freedom of choice

What the new Articles do is, first, to legalise these arrangements by providing freedom for countries to choose their own regime. But, as I have said before, this is a freedom of choice but not a freedom of behaviour. While par values, with narrow margins for fluctuations, have disappeared, the new Articles establish a set of obligations, both for members and for the Fund, that will underscore the importance of the Fund's regulatory role as regards exchange rates. At the same time, they point to the essential relationship between exchange rates and the underlying economic and financial policies of members. For the Fund, this will mean an increase in the attention that has always been paid to these policies. The Fund is also required to exercise "firm surveillance" over members' policies and actions in the field of exchange rates and to adopt specific principles to guide members in these policies. There are, therefore, two "layers" of competence for the Fund members' general policies and those actions that have a particular influence on their exchange rates.

Similarly, members will have two "layers" of obligations. In their economic and financial policies, they must attempt to foster orderly economic growth with reasonable price stability and a monetary system that does not tend to produce erratic fluctuations. And they must pursue orderly exchange arrangements and a stable system of exchange rates, and must avoid manipulating exchange rates to prevent effective balance of payments adjustment or to gain an unfair competitive advantage. In these respects, I believe that the firm surveillance to be exercised by the Fund under the new Articles, and the new obligations assumed by members, represent a significant strengthening of the Fund's powers.

The long rule of the par value system has created the impression that the Fund's power in relation to exchange rates depended solely on the existence of that system. But this was never true. In practice, the ability of the Fund to influence, or even discuss, exchange rates under the par value system was seriously impeded by the very nature of changes in par values. There was the need for complete confidentiality, and considerable diplomacy, in dealing with what were usually large, discrete, changes in exchange rates. And such changes were typically accompanied by financial and political trauma.

flexible system

The more flexible system of exchange rates we have at present also poses difficulties of supervision, and challenges the Fund to explore new analytical techniques when considering exchange rates. Nevertheless, with the removal of the taboos associated with par value changes, we have already seen a greater willingness on the part of Fund members to engage in effective discussion of their exchange rate policies.

Experience so far with flexible exchange rates has shown some obvious, and some less obvious, advantges. Clearly the system goes a long way toward avoiding the currency crises of the past. No par value system could have been sustained with the large imbalances and the wide variations in inflation rates we have seen in recent years. Greater flexibility in exchange rates also enables countries to protect themselves to a certain extent against the inflationary effects of the payments deficits of other countries. At the same time -- less obviously — the fact that inadequacies in a government's economic policies can sometimes be rapidly reflected by a marked depreciation in the exchange rate can apparently have a similar psychological effect to a loss of reserves in strengthening policies or making it easier to implement them.

erratic nature

The main disadvantage of the flexibility of exchange rates has been the extent of short-term fluctuations in rates in their sometimes erratic nature. There is a need, therefore, to dampen these disturbing fluctuations and to achieve a more stable system of exchange rates. In this connection, I am not just thinking of intervention, but -- perhaps more importantly -- monetary policies, and also the extent to which country's general economic and financial policies are conducive to stability. This applies in particular to a continued reduction in the rate of inflation, which will be a difficult but vital task as the current recovery proceeds.

How then do I view the principal features of the emerging international monetary system? The Fund will remain at its center, and be better equipped than in the past to shape its future development in the light of changing circumstances.

The amendment of the Articles, together with the agreed increase in Fund quotas, will enhance the role of the Fund in assisting members to formulate policies for adjusting their external positions without resort to trade and payments restrictions, and in providing the necessary financial assistance to give time for these adjustment policies to work.

I see a reduction in the role of gold as a reserve asset, and I am confident that the SDR will become an increasingly important element in the monetary system.

Finally, it is in the field of exchange rates that we face the greatest challenge. We need to move toward a system that has the resilience and flexibility of the present arrangements without the disturbing fluctuations we have experienced since 1973. A more stable system of exchange rates will depend to a large extent on the achievement of greater stability in general economic and financial conditions, and in particular a continued reduction in rates of inflation. But it will also depend on how imaginatively the Fund, in establishing principles for the guidance of members, and in its surveillance of members' policies and actions, can breathe life in to the exchange rate provisions of the new Articles of Agreement.

Aggressive economic growth ahead

E. B. Brook Vienna

Many industrially developing states, world-wide, needs to come forward rapidly in expertise in industry and commerce if, despite better chances of trade on fair terms, they are not be left as the lesser participants in world commerce

FEW THINGS disappeared so quickly from the European press as the UNCTAD conference in Nairobi. It was banished from publicity as a tiresome chore that had to be attended to and, having been finished at last, is best quickly forgotten. Consigned to oblivion it cannot and, of course, will not be. But the fact that an 80-nation conference in Rome with the purpose of creating a billion dollar fund for economically developing countries to grow more food is currently obliged to extend its session because of disputes over the amount of aid available from the fully industrialised states shows clearly enough that cooperation is still agreed to with, at best, hesitation, if not reluctance and that bargaining rather than a freely helpful approach continues to characterise the thinking of many states. The 13 OPEC countries who have pledged $400 million are obliged to try to shame the western industrialized states into a contribution of the relatively small sum of $600 million and even to offer to acceptance of only $530 million provided the balance of $70 is promised later.

Similarly, the Swiss government, last among the rich nations in pledges of assistance in money and cooperation to the most needy countries, is worrying today lest tomorrow its citizens embarrass it by refusing in a referendum to approve a 200-million franc ($80-million) credit to the International Development Association. All parties in the Swiss legislature have approved the idea but any innovation in Switzerland must be put directly also to the people in the form of a referendum. Swiss voters are notoriously unpredictable, especially on financial outlays.

The Swiss were among the first to reduce the number of their foreign work force when the national unemployment total topped 100 (one hundred!). The fact that the federal budget is being pushed by fast rising public expenditures into the red by more than half a million dollars appears to many likely to make the ultra-cautious Swiss look to economy at home rather than to need overseas.

One hopes this expectation will be belied but the mood in west Europe generally is increasingly self-centred. The reluctant attitude of west Europe contrasts awkwardly at this time with the cordial and cooperative agreement achived in Moscow between the heads of the Indian and Soviet governments which complements the 15-year friendship treaty concluded in 1971.

It is to be hoped that the hesitant and seemingly reluctant attitude of west Europe at the present time will have modified before June 27 when the leaders of Britain, France, Federal Germany, Italy, meet with those of the USA, Canada and Japan in Puerto Rico to discuss world economic problems. The meeting has indifferent precedents this year in the matter of world trade cooperation with fair opportunities for all, in the sluggish progress of the 'north-south' economic conference in Paris, the UNCTAD session and in the food aid conference in Rome. It meets at a time when the USA and West Germany face elections, Japan has fast rising unemployment and the British are nursing a very sick pound. May be ill fortune makes one kind — but it remains to be seen how far fellow-feeling has penetrated international politics.

There has been deep alarm in Britain in the past week about the stability of the pound. But that weakness does not change the fact that Britain and west Europe generally forsee the next five years as a period of renewed growth. Economists elsewhere have prophesied for west Europe a period of fast, feverish and of the customary greedy growth, with risk of sharp recession later. The top official economists in west Europe — the Economic Policy Committee of the OECD in Paris — appear to be inclined to agree. The fully industrialised states should aim, they say, at moderating their expansion in the next few years in order to prevent the economic overheating experienced in 1972-73 which preceded the recent recession. There is need, the committee stresses, for adoption of "appropriate policies", monetary fiscal and commercial, in order to achieve 'controlled expansion'. The OECD economists hope to see inflation reduced, rather than riskily increased again by go-ahead growth policies.

difficult policy

It will be a difficult policy for governments to adhere to: the universal urge is for growth, a word that appeals to the energetic, capable, and undoubtedly greedy commercial world of west Europe which has, in one generation, seen not only its old political world influence disappear but much of its opportunity to earn also. It has seen this opportunity taken over in the small but increasing share of the new Asian and African nations whose difficulties in world commerce, in finance and in food production the western industrialised world is now asked to assist. Combined with alarm in some places at the increasing population in these countries, especially in Britain, of nationals of overseas origin, what may be described as the western retreat makes for a basic unwillingness to assist significantly and sufficiently any form of cooperation scheme.

If western Europe were more uniformly an area of economic success it might, very probably, be more mutually competitive but it would feel more reassured in world trade and possibly more basically inclined to cooperation with those from whom it would see very small competitive threat. But west Europe has its economic invalids: Italy at present monetarily almost exhausted, France with an often sinking balance of trade, Britain with a currency so weak it needs support of up to $ 5 billion by the leading industrial countries' Group of Ten which, rather ironically, includes Italy. It is remarkable, and probably encouraging for Britain, how quickly the industrialised states come to one anothers' aid now-a-days—Italy was recently assisted—and how long they often take to assist others less fortunate or basically strong. Spain is another country which recently devalued its currency by 10 per cent, is currently down by 15 per cent in tourist earnings and is reported by its Economics minister to have experienced last year its worst period in 20 years. Spanish economic growth has almost come to a stop and its trade is out of balance by $ 3.47 billion. With an inflation rate of more than 14 per cent Spain is joining west Europe's race for export growth. The poorest in west Europe are still also in a race for multi-bank loans.

Britain is hoping for an 11 per cent growth in foreign trade this year. France is strongly competitive in foreign trade and W. Germany is working hard to improve its very favourable foreign trade figure. Most forecasts for west European states and for the USA are of aggressive economic growth and expanding foreign trade. Some of this growth will be absorbed by growing world economic well being. Even in the least fortunate countries personal income is improving and in many industrialised states it is still rising fairly steeply. The amount of money available for spending has therefore grown and gives more chance for the exporter from whatever land he operates. But the big slice will still go to the big exporter because he has the facilities for training his salesmen of every grade, for research constantly to improve his products, for market research and immediate follow-up that are the essential weaponary of contemporary world commerce.

These facilities are enjoyed not only by the western industrialised states but, to a very marked degree, by the specialist commercial operatives from Europe's communist states as well. They also both give and take bank loans, push forward market and industrial research and, significantly, cooperate industrially with west European states. This week's German-Polish treaty — mainly industrial in content—is very much a case in point. Many of the industrially developing states, world-wide, need to come forward rapidly in expertise in industry and commerce if, despite better chances to trade on fair terms, they are not to be left as the lesser participants in world commerce.

Eastern Economist 30 Years Ago

JULY 5, 1946

Whether India is nearer to independence or not, we cannot tell. But we can assert categorically that the manner in which this country has been treated by its (British) Finance members, controlled by the India office, in regard to its dollar balances is a measure of our worse-then-colonial position. Whatever justification might be found for the setting up of the Empire Dollar Pool during the war, there is not shred of excuse for its continuance. If it is to be continued, there should have been some apology or pretence of excuse offered therefore. Not a single political party in India has agreed to its continuance after the war; India's current balances are taken away unilaterally by the British Government's fiat. If this is not colonialism in the economic sphere, one would like to know what else it is?

Be that as it may, the country has an even more legitimate complaint. Figures about the dollar earnings of India since the war have yet to be vouchsafed. Sir Archibald Rowlands in his last budget speech contended himself with a summary statement which was intended to mystify and cloud the issue rather than to enlighten.

Interview : Vinod Parikh

A challenge every day in STC

The State Trading Corporation (STC) of India has completed 20 years. In an exclusive interview with S.P. Chopra, Acting Editor, *Eastern Economist*, the chairman of the STC, Mr Vinod Parikh, said that in 1975-76, the exports of the corporation had scaled a new peak. As against the target of Rs. 730 crores, the STC had succeeded in exporting goods worth Rs 760 crores. He also emphasised that the corporation had been making efforts to increase the export of a number of new products.

Q. *The turnover of the State Trading Corporation has almost doubled in two years. In your opinion, what were the main reasons for such a fast expansion in the operations of this enterprise?*

A. The reasons for this rapid and substantial growth were the increase in our trade with west Asian and Gulf countries coupled with exports of such items as sugar and leather. Sugar was our biggest item of export. In 1975-76, sugar exports alone were of the order of Rs 470 crores.

Q. *To what extent was the rise in the prices of export commodities responsible for the fast expansion in the turnover of the STC?*

A. The increase in exports in 1974-75 was mainly due to inflation in prices but 1975-76 was a different story. Expansion in volume was the main reason for the increase. For example, the quantity of sugar exported in 1975-76 was about 1.2 million tonnes as against 600,000 tonnes only in 1974-75. Thus, the 1975-76 increase in exports was due to volume while 1974-75 rise was mainly due to price rises. In the case of leather also, there has been substantial increase in quantity.

We consider finished leather to be a new item with a high growth potential in the coming years. In the case of leather, there has been both physical growth and value-added growth. Whereas in the past our export consisted mainly of semi-processed hides and skins, now there is an increased proportion of finished leather; also new inroads are being made in the exports of uppers, shoes and garments. And we are trying to improve the unit value per shoe by exporting to fashion-conscious advanced countries. Thus, we are trying to get more rupees per pair of shoes.

Q. *That is indeed creditable. But let us turn our attention to sugar for a minute. This commodity was not on your export list a few years ago, and then it came with a bang and inflated the export performance of the STC beyond expectation.* If the **fortuitous** *export of sugar is ignored, how does the export performance of the STC fare? Was the rate of rise in exports substantial?*

A. In our weekly deliberations, we always look at figures minus sugar and minus leather. This gives us an idea of growth in other items which are small today, but which we hope will be big one day. Let me tell you that the export of non-canalised items was Rs 36 crores in 1974-75, which rose to Rs 62 crores in 1975-76. And we are budgeting for a turnover of Rs 130 crores in 1976-77. Thus, the STC is planning to increase the export of non-canalised items by more than 100 per cent in one year. This list includes (a) Army software for the west Asian countries, (b) Plywood, door-handles and other goods needed for the construction industry because of the housing boom in west Asia, (c) Molasses and alcohol, (d) Thermos flasks, (e) Cosmetics, (f) Toilet articles. We have also sold marble to Australia. This was a totally new item. Also we sold gramophone records to Hungary; they did not purchase Indian gramophone records before. We are trying to build up new business in such items.

Q. *The list of non-canalised items is long; the individual contribution of each item is small. What is their share in the total turnover ?*

A. Introducing a new item always takes time and values are always small. But once you have captured a particular market for a particular item, and if you sustain them well, they could in due course grow into a large volume of business.

Q. *You have referred to the success you had in west Asian markets. In the totality of your export operations, how important is this area?*

A. Roughly, the share of this area was one-third of the total. Surely, the potential for further expansion is large in west Asian and African countries. For instance, our subsidiary, the Projects and Equipment Corporation, has a big market in these areas for engineering goods and turn-key projects.

Q. *As far as I remember, the STC was set up 20 years ago to service our trade with the east European countries with which we had entered into rupee-payment arrangements. How important is this area in the turnover of the STC?*

A. These countries occupy an important place in the trade turnover of STC. Our trade with these countries is growing year after year. Our trade with the Soviet Union alone will show a substantial increase in the five-year agreement that has been concluded with them recently.

Q. *What is the share of this area's trade with the STC?*

A. The share is small in so far as the STC is concerned because sugar – the major item—was not exported to these countries.

Q. *Do you think that in the coming years, our trade with the east European countries in rupees will continue to grow?*

Will our trade with them in traditional and non-traditional items continue to expand or are you finding some resistance in these countries?

A. The potential of growth in trade with the socialist countries of east Europe is very great. The trade with these countries provides us a relative insulation from the fluctuations which occur in the free market economies. Our trade with the socialist countries is assured according to the trade plans. The demand and price fluctuations have little impact on them as is the case with our trade with non-socialist countries. If we wish to increase our trade with them, we will have to enter into long-term agreements with them so that both sides are assured of their supplies. Such long-term relationship could be mutually beneficial.

Q. *I have been to some of these east European countries where the complaint usually heard is that we really do not make any serious effort to market our products through fairs, fashion shows and exhibitions. Do you think in view of the peculiar mechanism of trade with these countries, these marketing techniques can be of much help?*

A. Fairs and exhibitions are only one facet of the many ways in which trade can be improved. We do participate in some fairs, but the marketing procedures we have adopted so far have been generally helpful.

Q. *The individual exporters in this country have poor knowledge of the markets to which they wish to export their products—both in regard to the products and the peculiarities of the markets. Has the STC built up any machinery whereby, as the largest single exporter of the country, it is able to keep informed about the trends abroad?*

A. We have two types of activities in this field. First, there is the market intelligence system through our own foreign offices, agents, associates and business connections. On the basis of information provided by them, we make periodic studies of different markets as to how they would react, and whether the prices are likely to move up or down etc. Secondly, we have 22 foreign offices which have recently been strengthened with additional staff. Not only some other public sector undertakings but also the private exporters make use of the services provided by our offices.

Q. *Establishing contact with foreign agencies is only one aspect, the other is the constant flow of information from abroad regarding the variations in prices of a variety of goods which are currently being exported or which you are planning to market in foreign lands. What steps have you taken to be fully seized of the trends abroad?*

A. The foreign offices plus the subscriptions we make to various reports and publications, communications from our customers and suppliers, provide the assessments of the situation. All this information is processed in the centralised market intelligence division that we have in this office. The information coming in from the various offices is pooled and processed. The dealing departments study such reports and then arrive at their conclusions as to what is happening and what might be possible in a given situation.

Q. *What type of people man these 22 centres? What is their background? What experience have they in trading? Are they researchers or business-oriented trained officers?*

A. They are mainly marketing experts with specialised knowledge in certain specific areas wherein we plan to expand our operations. For example, if we find that export prospects in leather products in one area are good- in England, France and West Germany—we try to put a man in that area who is conversant with the subject of finished leather and leather products. But they are essentially marketing experts who are all the time studying price and demand trends in the region in which they are posted and inform us of the possibilities. They also have a general background of the STC's work, methods and procedures so that there is not only an institutionalised contact but also personal contacts between an officer abroad and different officers in India.

Q. *The year 1975-76 was a very good year for the STC as it almost touched the level of Rs 1,000 crores in exports. Have you worked out your plans for the current year? What is your target for exports in 1976-77?*

A. Leaving sugar out from our target of exports for the current year, STC will increase its export of practically every item. For instance, in agricultural commodities including foods, oil and fats. general products, cement, salt — the exports of these commodities are expected to increase. This year we are aiming to export nearly a million tonnes of cement against 400,000 tonnes shipped last year. Textiles will demand increased attention particularly jute manufactures because this industry has lately been in trouble. We are planning to concentrate our attention on ready-made garments which has immense prospects. We have good associates in the field of art silk, man-made fabrics etc. Army software is another line where we expect an improved turnover — mainly blankets, mosquito nets, tents etc. Development exports including construction materials are also engaging our attention. We are also doing business in silver. General consumer items are also on our list of exports. In the field of pharmaceuticals, through our subsidiary CAPCO, we are assisting a number of small and medium-sized manufacturers to manufacture such drugs and formulations as we have a ready market abroad. Very soon, a delegation is visiting us from Libya to see the progress made by India in this industry.

Q. *You have been in the STC for three years. What was the biggest challenge that you faced in this enterprise during this period? Was it in the field of men, money or materials?*

A. By the grace of God, this company does not have any monetary problems. We have very good financial resources which have improved over the years. The scale of our operations has increased in the last three years, and in order to cope with this expansion, we have established a new subsidiary — CAPCO, this year. We are constantly improving the management at various levels. In a way, we have to face a challenge every day in the STC.

Q. *Let me put this question in a different way. In the past three years, there might have been some sleepless nights for you. If there were any such times, what were they due to?*

A. I work hard and for long hours and I have never had any problems of sleep which I do soundly.

Q. *You are certainly a lucky chairman of an enterprise having a turnover of Rs 1000 crores, with no headaches and sleepless nights. Good luck to you.*

A. With team-work and good human resources of the STC, it is not too difficult.

Q. *What has been the most satisfying experience in your association with the STC?*

A. I am basically a trader and the experience I am gaining in STC is most satisfying. The range of our operations is so vast and diverse that there is something new to learn every day. Last year, we had fixed export target of Rs 730 crores but came December 1975 and we were lagging far behind. It seemed almost impossible to achieve the target. But we did not accept defeat. At the weekly communication meetings with all our senior managers — some 30 people round a table—I used to repeat like a gramophone record that the target had to be met—it did not matter how much effort was involved. There were a few who were not totally convinced. To move up from Rs 475 crores to Rs 730 crores was no mean task. With the cooperation of all concerned, however, we showed record results. We shipped 200,000 tonnes of sugar in the month of March 1976 alone. No less than 25,000 tonnes of oils were shipped in the month of March alone which was practically a complete year's turnover in previous times. A number of records were created and I slept happy and contented on March 31, 1976 when our provisional annual results were out on time. The export tally had finally risen to Rs 760 crores against the original budget of Rs 730 crores.

Q. *You have just mentioned the export of castor oil. If my memory does not fail me, there was some rumbling about the price which you got on your castor oil exports. Will you throw some light on this deal which came in for some criticism?*

A. It is very easy to be wise after the event. You have to make a decision each day and there are as many occasions of markets having fallen as of markets having risen after the deal has been concluded. To some extent, that accusation—our having sold castor oil in a hurry—came from vested interests. I dare say that if we had waited we would have got a higher price but I do not think we have done badly given the peculiar circumstances of this case. By the end of the year, we will have marketed a much larger quantity of castor oil at, what I hope, will be better than average prices achieved so far.

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BOOKS BRIEFLY

Reviewed by
Academicus

Evolving environmental balance

Losing Ground: Erick P. Eckholm; W. W. Norton & Company Inc., New York; pp 223; Price $ 3.95.

Taxation of Agriculture in India: P. K. Bhargava; Vora & Co. Publishers Pvt. Ltd., Bombay; pp 111; Price Rs 20.

Co-operative Democracy in Action: O. R. Krishnaswami; Somaiya Publications Pvt. Ltd.; pp 271; Price Rs 40.

Accumulated Deficits of Public Enterprises: J. Satyanarayana; Institute of Public Enterprise, Hyderabad; pp 317; Price Rs 40.

Agricultural Manpower and Economic Development. B. P. Ratnawat; Popular Prakashan, Bombay; pp 290; Price Rs 50.

Human Resources Development Planning: M. M. Mehta; The Macmillan Company of India Ltd.; pp 192; Price Rs 55.

BOOKS SUCH as *Losing Ground* dealing with environmental stress and world food prospects get published but rarely. The perception born out of sympathy for humanity with which Erik P. Eckholm has written this book is rarer still in these days of gingoism and intense national rivalries reminiscent of the early mercantalist period. No wonder the book provides extremely absorbing reading material from the first page to the last.

Coaxing enough food from the earth has traditionally been guided by a certain simple logic: plough more land, intensify labour, refine techniques and the supply of food will grow commensurably. But at present millions of individuals and sometimes whole countries are learning the hard way that more work does not necessarily mean more food that it may mean fatally less.

Though the term, 'environmental crisis' has become popular in journalism and politics within the last decade or so as a consequence of the visible spread of acrid air and poisoned water, it is much less realised that "a far deadlier annual toll, and perhaps an even greater threat to future human welfare, than that of the pollution of our air and water is that extracted by the undermining of the productivity of the land itself through accelerated soil erosion, creeping deserts, increased flooding, and declining soil fertility. Human race—out of desperation, ignorance, shortsightedness, or greed--is destroying the basis of their own livelihood as they violate the limits of natural systems."

It is not at all surprising that the principal victims of these trends are the world's poor who in their quest for food and fuel are being forced by circumstances and institutions beyond their control to serve as agents of their own undoing. It so happens that the poor are damaging the environment around them even more than the rich.

According to the author, the basic arithmetic of world population growth reveals that the relationship between human beings and the environment is now entering 'an historically unique age of widespread danger'. It should strike terror in our hearts that the number of humans reached one billion about 1830, nearly two or three millions of years after the emergence of human being as a distinct species; the second billion was added in one hundred years; and the third billion in just thirty years. In 1975 the world population reached the mark of four billion. At the present rate of growth of population, the fifth billion of population will come in about thirteen years and the sixth billion in just ten years after that! Seldom does the human imaginations try to translate these inconceivable abstractions into concrete terms of requirement of food, clothing and shelter for this rapidly expanding human sea.

This book makes an attempt to spotlight the self-defeating efforts of the human race to expand food supply to feed itself.

frightening problem

There has been certain awareness of this frightening problem at present. But analysts are finding many culprits depending upon their personal prejudices, For example, the economist sees failure to generate adequate capital for raising productivity; the sociologist sees tradition-fixed cultures incapable of assimilating the requirements of modernisation or socio-economic structures that compel the poor to live recklessly; the political scientist is apt to stress the absence of administrative capacity to implement social changes or outline the power relationships that prevent the poor from taking control of their own destiny.

According to the author, while all the above explanations contain certain elements of truth, an additional perspective that in many ways subsums them all—an ecological view that blends the study of human beings' place in nature with that of their place in society—is almost always overlooked. The author has emphasised that 'Ecological degradation is to a great extent the result of the economic, social and political inadequacies noted above: it is also, and with growing force, principal cause of poverty. If the environmental balance is disturbed and the eco-system's capacity to meet human needs is crippled, the plight of those living directly off the land worsens, and recovery and development efforts—whatever their political and financial backing—become all the more difficult."

sterile debate

The sterile debate is going on among the narrow-minded experts regarding attacking this problem. Innundate the poor with birth control devices and development prospects will soon improve, says one group of experts. Concentrate on social reforms and economic progress, say others. But unfortunately most people forget that "these issues form a circle, not a square, and thus have no distinct sides. The only alternative at this stage of human history is to simultaneously meet this quandary at every point along its circumference, in an all-out effort to root out causes of poverty, whether social, cultural, religious or political." The author has emphasised that environmental deterioration and ecological ethic require direct attention in their own sight. In fact all our efforts in various directions to root out mass poverty will be frustrated, if attempts are not made at the time to restore and maintain ecological balance in the universe.

In the face of this, one is ghast at the stupendous neglect of ecological environment that is taking place and the consequent growing imbalance—the reckless and rapid deforestation, encroachment of advancing deserts, deterioration, of mountain environments, salting and silting of irrigation system, threat to world fisheries and general soil erosion and deterioration. The author has warned that if the current trends continue, there may not be a sudden cataclysmic global famine, but "chronic depression conditions for the share of human kind, perhaps a fourth, that might be termed economically and politically marginal." If these trends continue the author predicts that "Marginal people or marginal lands will slowly sink into the slough of hopeless poverty. Some will continue to wrest from the earth what fruits they can, others will turn up in the dead-end urban slums of Africa, Asia and Latin America."

Losing Ground by Eric P. Eckholm is a remarkable and thought-provoking book which will certainly give a new direction and vision to our thinking and will convince us that every one must and can play his part in maintaining environmental balance, which if neglected any further, will undermine the very foundations of human existence. We in India should take special note of this because India happens to be one of those marginal lands which are rapidly approaching the dead-end.

AGRICULTURAL TAXATION

P. K. Bhargava in his book *Taxation of Agriculture in India* has made an attempt to analyse the role of agricultural taxation in the process of economic development of India. He has also looked at the problem of taxation of agriculture in India from the point of view of overall equity within the different sectors of the Indian economy. As there appears to be sometimes a controversy as to whether the agricultural sector in India should be additionally taxed for mobilising more resources for investment purposes or whether things should continue as they are so that agriculturists under lighter tax burden would be provided adequate incentives to accelerate the pace of green revolution the signs of which are visible in many states, the author has thrown adequate light on this issue in this small but exhaustive book on the subject.

major sector

Theoretically it is accepted that in the initial stages of economic development of a backward country, agriculture happens to be the only major sector of the economy where surplus must be generated for investment purposes. According to Arthur Lewis, "If it is desired to accelerate capital formation at a high rate when profits are still a small proportion of national income, there is in practice no other way of doing this than to levy substantially upon agriculture, both because agriculture contributes 50 or 60 per cent or more of the national income and also because levying upon other sectors is handicapped by the fact that it is desirable to have these others expand as a part of the process of economic growth."

Indian economy is yet primarily agricultural contributing about 45 per cent of the national income and providing livelihood for nearly 70 per cent of the population. And therefore, according to the author, it is unfortunate that despite its strategic position, the agricultural sector has not been making adequate contribution towards the development efforts of the country. According to Raj committee report, direct agricultural taxes during the period 1967-68 to 1969-70 formed only .94 per cent of the income orginating in the agricultural sector. According to that report, agricultural sector remains inadequately taxed. This has resulted in relatively heavier tax burden on the non-agricultural sector, with the consequence that fresh inequities between the agricultural and non-agricultural sectors of the Indian economy have resulted, apart from the inequities within the agricultural sector itself.

The two most important taxes paid by the agriculturists are land revenue and the agricultural income tax. Their combined contribution since 1951-52 to 1965-66 has been less than two per cent of the national income from agriculture. Since 1966-67, these two taxes have been contributing to the national exchequer less than one per cent of the total agricultural income, the share at present being as little as 0.7 per cent. In view of the growing financial requirements of the states, it has become urgent that the structure of land revenue and agricultural income tax be suitably modified so that the state gets from them adequate revenues to meet their increasing developmental expenditure.

important tax

At present land revenue is the most important tax on the agricultural sector. However as at present constituted, it is thoroughly a bad tax as it provides no exemption limit, is levied at the flat rate on both large and small landholders and as it does not take into account changes in income, output or increases in prices of agricultural commodities. In consequence its share in the total revenue from all the state taxes is only about six per cent. According to the author, it is not easy for the state governments to revise land revenue rates both because of their past settlements with the agriculturists and also because state governments have shown lack of political courage to increase tax burden an agriculturists who have formed a strong lobby in state legislatures. The author therefore has suggested a graduated surcharge on land revenue. According to him, sucn a scheme will get support of nearly 74 per cent of the rural households owning very small pieces of land and will at the same time enable the state governments to raise substantial resources from the agricultural sector. The author has also opined that as a measure of fiscal reform taxes from the agricultural sector should in the long run be collected in kind. Such a collection will ensure built-in flexibility in the tax structure of the states and at the same time enable the state governemnts to build buffer stocks of agricultural commodities whicn can be used to check inflationary pressures in the economy.

Agricultural income tax is another important tax levied on the agricultural sector. But it has also proved to be an ineffective fiscal instrument for tapping agricultural resources partly because relatively richer states like Punjab and Haryana have not imposed it and partly because it is levied at very low rates and is inadequately enforced in states where it is being levied at present. No wonder the share of agricultural income tax in the total revenue from all the state taxes is as low as 0.5 per cent at present. It may also be noted that the three states of Assam, Kerala and Tamil Nadu account for 70 per cent of the yield from this tax.

resource mobilisation

To make the agricultural income tax equitably and an important fiscal instrument for resource mobilisation, the author has suggested full integration of agricultnral and non-agricultural incomes in place of their present partial integration. According to the author, there is no need to amend the constitution to bring about this full integration, if a national consensus emerges on the part of the states to surrender their right of taxing agricultural income to the union government as they have done in the case of estate duty on agricultural land. Such an arrangement will not adversely affect the economy of the state as the entire net proceeds from agricultural income tax will be distributed among the states on the basis of origin of agricultural income in each state. The author is of the opinion that on balance, the states will be benefited by this arrangement as the union government has the necessary experience, administrative machinery and talent to administer the tax. To overcome any possible difficulty that might arise, the chief ministers of states might discuss that matter at the National Development Council so that a national consensus may emerge regarding policy matters relating to taxation of agricultural income so that none of the state governments gets an upper hand in providing relief to the agriculturists on political grounds as it is happening at present.

increased capacity

There is no doubt that the tax-paying capacity of the agricultural sector, especially of big landholders, has increased considerably during the era of planned economic development. While the agricultural sector pays much less as compared with the non-agricultural sector, its economic condition has improved considerably due to increase in income owing to factors such as steep rise in the prices of agricultural commodities, increase in productivity of agriculture due to agriculture-oriented expenditure policy of state governments, and on account of huge subsidies which the sector has been getting in respect of seeds, fertilisers, water and cooperative credit. There is therefore a very strong case for additional taxation of the agricultural sector. The author has suggested that this should be done by immediately introducting graduated surcharge on land revenue, full integration of agricultural income with non-agricultural incomes, imposing additional cess on commercial crops and betterment levies, and raising substantially irrigation rates which at present do not cover even the working expenses of most of the irrigational projects. Also, livestock breeding, poultry and dairy farming should also be brought within the additional agricultural tax net.

One additional gain of raising agricultural taxation and bringing it to the level of taxation of non-agricultural incomes would be that black money would not be in a position to masquarade as money derived from agriculture.

There is no doubt that P. K. Bhargava has made out a valid case for additional agricultural taxation and, what is more important, has put forward practicable suggestions which can be immediately implemented. The government can take advantage of the mood of the people generated by the emergency and implement this scheme of rationalisation of agricultural taxation which has for long been delayed to the great detriment of the national economy.

COOPERATIVES

Co-operation, as is well-known, is a voluntary and democratic association of human beings, based on equality (of control and opportunity) and equity (of distribution) and mutuality for the promotion of their common interests as producers or consumers. One of the fundamental underlying principles of cooperation is it democratic management and control.

But how far is the management of cooperative societies in India really democratic? Where is the real centre of power in a cooperative society? Does the control really rest in the membership as such and not in the hands of a particular sectional group within the membership? What is the relationship between the board of management and members of a typical cooperative society? Is there proper division of responsibilities between the controlling body and the executive body, so as to ensure democratic management? How does the system of government nomination of board of directors of cooperative societies affect democratic control of cooperative societies? How do government and Reserve Bank controls over cooperative societies affect their internal autonomy? These are all problems of democratic control in the management of cooperative societies and *Cooperative Democracy in Action* is concerned with them.

This study, which was awarded the Ph.D. degree of the Karnataka University, was undertaken to know how cooperative democracy works in practice. The author, Dr O.R. Krishnaswami has confined this study to the cooperative agricultural credit societies which have by and large come to dominate the cooperative field in India. What is more significant, on the basis of his analysis of the above problems, the author has made certain suggestions for ensuring effective democratic control in the cooperative agricultural credit system.

As regards democratic control in cooperative societies, the author has found that the social structure of Indian villages in tradition-bound and caste-ridden. The hierarchical and segmented social structure of Indian villages and their inequitable economic system are not at all compatible with democratic values of equality and equity. People's loyalties to their own local organisations, to their castes and to related families are rather a liability than an asset to the development of democratically run cooperative societies as well-knit organisations. The author has rightly emphasised that cooperatives need new types of ties and loyalties which cut across traditional, communal and religious loyalties.

unsatisfactory working

On account of the existence of the above background, the author found the working of cooperatives at all levels very unsatisfactory. The conducting of the annual and weekly meetings is most unsatisfactory. Only a very small number of members attend the meeting and that also under pressure of somebody and without knowing anything or much about what is going to take place in the meeting. Most members hardly participate in the meeting, nor do they show any interest in the proceedings. Most of the regulations get passed unanimously at the behest of some powerful group which has a dominant position in the village or in a particular caste. The same group of persons get re-elected again and again because of the general apathy, indifference, ignorance and inferiority complex of most of the members. This being the findings, the author has rightly concluded that "The findings lead to the inevitable conclusion that democracy exists in the formal constitution only, but not in actual practice... The ignorance of members, their socio-economic disparities, the societies' dependence on central banks for funds, the mechanical way of conducting business – all these sap the vigour and vitality of democracy and make it just a copy book maxim."

influencing factors

What are the factors influencing democratic participation in cooperative societies? The author has examined fifteen different variables such as personal, cultural and socio-economic factors and has made an attempt to establish correlation between these variables and democratic participation. He has rightly found that "caste, formal education, social participation, occupation, socio-economic status, shareholding period of membership, knowledge of the structure and working of the society, member identification, business participation and member satisfaction were positively associated with democratic participation." His finding leads to the conclusion that education, social participation, member's stake, length of the period of membership, knowledge of cooperation, knowledge of one's own cooperative society, business participation and member-satisfaction promote democratic participation, while on the other hand illiteracy, caste hierarchy. occupational heterogeneity, socio-economic disparity, lack of enlightment, lack of identification, lack of loyalty and lack of satisfaction consequent on unsatisfactory service rendered by cooperative societies retard democratic participation and management.

On the basis of his analysis the author has made suggestions to accelerate democratic participation in cooperative societies at all levels. He has stressed the role of education in this respect. He is of the opinion that "continuous, persistent and systematic educational efforts should be made in order to enlighten the members, to develop a social vision in them, to build a feeling of awareness and pride in cooperative membership, to motivate them to involve themselves in the affairs of their cooperative, to make them realise the importance of their attending membership meetings and participating in the democratic decision-making process, to keep alive in them the sense of belonging together and the cooperative spirit and to develop leadership among them." The author believes that powerful educational efforts are necessary to break the barriers of the hierarchical and segmented social structure of villages and to develop in people a sense of equality, fraternity, solidarity and democratic values and outlook. The author wants that every cooperative society including primary cooperative societies should undertake to play this educational role without which democratic participation in cooperatives cannot be encouraged and fortified.

'economic miracle'

In the beginning of the present century when cooperatives were introduced in the country for the first time, it was almost thought uncritically that 'an economic miracle' was at hand. But it must be realised that no institution, however sound theoretically, can function in an ideal way in an uncongenial social and political situation. All the social evils characterising the society are bound to get reflected in any organisation including cooperatives. This has happened in all countries including Britain. A recent report on the operation of cooperatives in the United Kingdom states: "The old style pure cooperator is becoming rarer....his place is being taken by the cooperator who is also active in politics....the function of cooperatives as private microcosms of ancillaries to the national democracy is much muted and weakened at the present time."

There should therefore be no wonder that cooperatives in India have proved a dismal failure as a way of life which they were expected to be. It would be naive to expect a social and political revolution through cooperatives which have become a tool in the hands of politicians these days and hot-bed of political intrigues. Only to the extent society improves and gets rid of its class, caste, status and other distinctons and extreme disparities, would democratic way of life be reflected in the cooperatives. And yet an attempt must be made to break the vicious circle and from that point of view primary cooperative credit society can be a first step where, as the author has emphasised, primary lessons of democratic way of life can be taught through intensive education.

PUBLIC SECTOR DEFICITS

Accumulated Deficits of Public Enterprises is the result of a research project undertaken by the author and sponsored by the Indian Council of Social Science Research. The author's main aims in undertaking this research study were: to study the financial performance of the central government public enterprises, to analyse the reasons for the poor performance of many of the public enterprises, both empirically as well as on the basis of the report of the parliamentary committees, and what is more significant, to suggest measures to improve the performance of the public enterprises.

The author has confined his study to the central 'running' public enterprises. Enterprises under construction are naturally excluded. Also excluded from the study are the financial institutions and promotional and developmental undertakings. In other terms, the study covers only the running commercial and industrial undertakings of the central government. The study is confined to the losing undertakings only as the main focus of the study is on the performance of those enterprises which have accumulated deficits. The number of enterprises which had not accumulated deficits was 26 as on March31, 1969. The study in depth is attempted in so far as these 26 enterprises are concerned.

capital wiped out

The author has found that the total accumulated deficits of these 26 enterprises amounted to Rs 339.42 crores on March 31, 1969. It is seen that there were a few enterprises which had accumulated deficits exceeding the equity capital which implies that the entire equity capital was wiped out because of the continuous losses incurred by those enterprises. About a third of the enterprises had accumulated deficits of more than 50 per cent of the equity capital, whereas enterprises which had accumulated deficits of more than 20 per cent of the equity capital accounted for about two-thirds of the total number of enterprises studied. The one enterprise that contributed substantially to the net accumulated deficits was the Hindustan Steel Ltd. The Hindustan Steel Ltd, the Heavy Electricals (India) Ltd, and the Heavy Engineering Corporation together accounted for about 86 per cent of the total accumulated deficits of the 26 enterprises. Whether we consider the profits in relation to capital or in relation to sales, the picture is disappointing. Also, many of the enterprises were having very low amounts of cash in relation to current assets. Substantial increases in inventories and consequently locking up of capital resulted in a decrease in the percentage of cash to current assets. Most of the losing undertakings appeared to be in a bad financial posi-

tion as they had less than 25 per cent of cash to current liabilities. It was a matter of serious concern that most of the enterprises were not in a position to meet their quick liabilities from their quick assets, because of high inventories and also partly because these enterprises felt no difficulty in getting their working capital from commercial banks.

According to the author, some of the important factors responsible for the accumulated deficits of these 26 enterprises were delays in project commissioning, rising project costs due to continuous rise in prices, under-utilisation of the installed capacity, heavy expenditure on townships, heavy inventories, and unrealistic estimations about personnel which in most of the enterprises far exceeded the necessary number of people required.

significant part

The various recommendations which the author has made to reduce deficits and if possible to enable enterprises to make profits form the most significant part of the book.

He finds that the targets of surpluses have been fixed for the public sector as a whole by the Planning Commission. The author rightly believes that it is necessary that targets of surpluses should be set for the individual enterprises in consultation with them and by taking into consideration the nature of socio-economic objectives of the enterprises. This will help in fixing realistic targets of surpluses and each enterprise will know what its commitments are.

The central government may give cash grants to those concerns which have accumulated losses, and which are likely to improve their profit prospects in future. Another way of helping out the losing concerns will be to reconstruct their capital structure including writing off the capital to the extent of over-capitalisation. Still another way would be to declare 'interest holiday' for the losing concerns until they begin to make profits after overcoming their difficulties.

Some of the enterprises suffer from under-utilisation of their capacities because of lack of demand. The author therefore has suggested that there should be systematic and scientific market surveys so as to get proper assessment of demand before a project is conceived and its size determined. Many of the enterprises have been characterised by delay in commissioning of their projects mainly because of governmental delays in decision-making. The suggestion is made that the government may constitute a committee of secretaries of the concerned departments to expedite the setting up of projects in the public sector, once they are planned and conceived by the government. Also a committee of technical and financial experts who may have gained experience in construction of projects before may also be constituted to screen and advise on the projects which are conceived by the government.

scientific assessment

The author has suggested that immediately after a project is planned, the government should name the chief executive so that he may be associated with the project right from the stage of planning through its various stages of construction. In order to avoid employment of excess personnel, big enterprises may be equipped with industrial engineering departments to make scientific assessment of required personnel. For all the enterprises estimates of personnel required must be worked out by expert bodies such as the Institute of Applied Manpower Research to help them in fixing the norms of personnel.

According to the author, most of the enterprises do not have scientific classification and assessment of their requirements of materials. The result is that these enterprises have built up considerable amounts of inventories. In order to avoid this, public enterprises must undertake scientific classification and assessment of their inventories. Materials management in these enterprises requires careful attention.

The losses on townships generally formed significant part of the total accumulated losses of the public sector enterprises. The author is of the opinion that these enterprises are unduly burdened with the losses because of these townships. He therefore has suggested that the government may subsidise such enterprises to the extent of the losses that they incur on townships,

Though many of the losing enterprises have now overcome the teething troubles and have started making profits, the suggestions made for the improvement of public enterprises are still relevant and hold good. Since this study was completed, the public sector has expanded considerably. Thus at the end of March 1975, there were 129 enterprises with a total investment amounting to Rs 7,261 crores. Many of the enterprises still suffer from the defects referred to by the author and therefore there is great scope for their improvement along lines suggested by him.

SURPLUS MANPOWER

One of the major problems faced by many developing countries is that of surplus population. According to one estimate, at present nearly a quarter of agricultural population in India is surplus to requirements in the agricultural sector. In absolute terms this means that there are in India at present about twenty million permanently unemployed people in the agricultural sector. Though superficially they appear to be employed and doing some work or other connected with agricultural operations, in effect they are unemployed in the sense their removal from the agricultural sector will have absolutely no adverse effect on agricultural production of the country. This constitutes what is known as 'disguised unemployment'. Is there a way of using this surplus agricultural labour in some constructive and really productive way and make them contribute to the process of economic development in the country?

B.P. Ratnawat in his *Agricultural Manpower and Economic Development* has made an attempt "to test empirically the famous models of Prof Ragnar Nurkse and W.A. Lewis regarding mobility of surplus agricultural labour to the non-agricultural sector and its antithesis by Prof A.M. Khusro, namely economic development with no population transfer." The author has concentrated his attention on the state of Madhya Pradesh dividing it into two sectors, namely the agricultural sector and the non-agricultural sector and testing the Nurkse-Lewis and A.M. Khusro models regarding mobility of surplus agricultural labour and its possible contribution to capital formation and to the process of economic development.

transfer of population

In the Nurkse-Lewis models surplus agricultural labour is shifted to non-agricultural sector where it is supposed to contribute to capital formation with the help of foodgrains which it previously used to consume in the agricultural sector where it was superficially employed contributing practically nothing by way of addition to agricultural production. But the matter of transferring surplus population from the agricultural sector to non-agricultural sector for productive purposes is not as simple as is presumed in the Nurkse-Lewis models of development. Such transfer and using of surplus agricultural labour in the non-agricultural sector bristles with many difficulties many of which may prove to be insurmountable in a backward country like India. For example, there are the problems of transporting of this surplus agricultural labour, providing adequate housing for them in urban areas where already there is very acute housing shortage, training them and making them learn necessary skills required in non-agricultural sector, transporting foodgrains from rural areas to urban centres instead of allowing higher consumption of foodgrains by the agricultural population which still remains in the countryside and so on and so forth.

capital formation

Perceiving the complex nature and vast dimensions of this problem of transferring of surplus agricultural labour to non-agricultural sector, A.M. Khusro feels that such wholesale transfer is unnecessary and wants that the surplus agricultural labour be used for capital formation in the agricultural sector itself where there is immense scope for physical capital formation in the form of wells, tanks, levelling of land surface, building embankments, major and minor irrigation works and so on. Agricultural workers mostly possess skills necessary to undertake such agricultural operations. Khusro is of the opinion that using surplus agricultural labour this way without transferring them wholesale to non-agricultural sector for capital formation is certainly more practicable, easier and definitely more effective from the point of view of capital formation.

According to the author, on the basis of the empirical study of this problem in Madhya Pradesh, "it is the Nurkse-Lewis model regarding the mobility of population from the agricultural to the non-agricultural sector which will be applicable in Madhya Pradesh economy during the period 1961-81". Using four different methods for estimating the quantum of surplus agricultural labour between 1961 and 1981 which according to the author, would vary between 7.81 million and 14.30 million depending upon the method of estimation used, the requirements of the non-agricultural sector of additional labour during the same period has been estimated by the author at around four million workers by 1981. The author therefore has maintained that the additional requirements of the non-agricultural sector could be met by transferring surplus agricultural labour to the non-agricultural sector.

But then the author is also aware that all the surplus agricultural labour during the period 1961-81 would not be and cannot be fully absorbed in the non-agricultural sector of Madhya Pradesh economy. He therefore has suggested that this part of the surplus agricultural labour will have to be gainfully employed in the agricultural sector itself. The author has used a considerable number of pages to suggest the various types of agricultural works in the rural areas on which substantial part of surplus agricultural labour can be gainfully employed, thus contributing substantially to capital formation in the agricultural sector itself.

vindication of Khusro

It appears strange that in the face of the subsequent thesis which the author has developed at considerable length, he should maintain in the earlier part of the book that it is Nurkse-Lewis model that holds good in the case of Madhya Pradesh. One gets the impression that, it is rather the Khusro model that carries greater validity in the case of Madhya Pradesh. Anyway there appears to be no ground for the outright rejection of Khusro model. It is now being realised to a greater extent that the vast agricultural population will have to be rehabilitated in the rural sector itself. In a sense, 20-point programme is a vindication of the Khusro model. It also appears that it would be better to take a pragmatic view of things instead of sticking to this model or that. The country has come to lose faith in model-building.

Except for this major contradiction in the book which gives a wrong perspective to the readers, the author has produced a good work highlighting all the main features and problems of the economy of Madhya Pradesh. The author's various suggestions for the upliftment of the economy of Madhya Pradesh are unexceptionable.

[HUMAN RESOURCES

There is greater awareness among developing countries these days of the need for and urgency of developing human resources as an integral part of the general economic development planning. There is now greater consciousness that the development of human resources is a key factor in the sustained and accelerated economic development. It is not just the development of land and capital formation that matter in economic development of backward countries. Important as they are, it is the human factor that plays the crucial role in the development process. The developing countries are therefore anxious to evolve a balanced, effective and rational approach to the problem of human resource planning. They are anxious to evolve a bold, well-conceived and well-designed strategy for better organisation and more efficient utilisation of the human resources in the country.

In *Human Resources Development Planning*, M.M. Mehta has made an attempt "to analyse and examine in an objective and scientific manner, the various approaches, tools, techniques and stratagies of human resources planning in developing countries."

According to the author, although it is not possible to assess the contribution of human capital to economic growth in the same manner and with the same degree of precison and sophistication as in the case of physical capital, a number of approaches have been recently evolved and the number of interesting studies and surveys have been recently conducted to provide some rational basis to measure the extent to which the investment in human resources has contributed to economic growth and development in advanced countries. According to the author, the difficulties of measurement, analysis and interpretation, though formidable, are by no means insuperable. The author has rightly emphasised that "It is better to have some yardstick rather than none at all for an objective assessment of the contribution of human resources to economic growth."

The author has emphasised that the broader implications of the future demographic growth and the likely changes in the size, composition and distribution of the labour force have to be adequately taken into account while determining the most effective approach to the problem of human resources development planning in the developing countries, as also the broad design and framework of strategy most appropriate for a rapid expansion and promotion of employment opportunities and for further development and more efficient utilisation of human resources.

a by-product

Analysing the employment policies pursued by developing countries during 1960s and early 1970s, the author is of the opinion that there is little evidence to show that most of the developing countries concentrated in employment objective. Employment creation was considered to be the by-product of economic growth. And therefore very little attention was given to possible alternative patterns of investment or alternative choices of production techniques that could maximise the impact of development planning on employment without compromising the overall rate of economic growth. There was inadequate realisation of the fact that economic development might succeed in raising output but not necessarily in increasing employment opportunities.

The major obstacles encountered during this period in the realisation of the employment objectives and targets were: slow rates of savings and investment and shortfalls in the plan expenditure, a rising capital intensity and investment and long gestation periods of investments made in economic and social infrastructure, under-estimation of population growth, labour force and participation rates, adverse terms of trade for primary commodities and non-implementation of specific programmes of employment promotion.

three pillars

The author therefore has drawn the conclusion that Asian planners must evolve and pursue as a major goal, a bold and active employment-oriented strategy to be carried out within the framework of overall economic planning for development. According to him, the three pillars of such an employment-oriented strategy should be: rural development, labour-intensive public works programmes, and the reduction of the capital-intensity of industrialisation. At the same time the educational system and vocational and technical training programmes must be closely coordinated with the employment oriented policies.

The author has emphasised that an integrated programme for the utilisation of manpower should include long-term aims and instruments for the development of human capacities, notably through education and training. The development of human resources through education and vocational training should be accorded a very high priority. These educational and training programmes should be based on systematic assessment of the long-term requirements of technical, professional and skilled manpower so that these programmes are appropriately geared to the needs of economic development planning.

Indian experience also shows that for long it was believed that general economic progress of the country would automatically solve the problem of employment. Now it has been realised that the assumption is not true, which therefore means that the problem of employment will have to be tackled specifically. It must also be realised that there may be possible conflict between the two objectives of rapid economic growth and expanding employment opportunities, especially in the short-run. Attmepts will have to be made to harmonise these two vitally important objectives. It must be realised that among all the factors of production, man is the most powerful instrument. It is his capacity that is mainly going to determine the way a country's economy will grow. And therefore, as the author has rightly emphasised, the human resources development assumes greatest significance.

The king's manual

Readings in Kautilya's Arthasastra: B.P. Sinha; Published by Agam Prakashan; 1736, Trinagar, Delhi-110035; pp 184; Price Rs 50.

Reviewed by **Kevy**

KAUTILYA ALSO known as Chanakya composed the Arthasastra in the 4th century B.C. According to Kautilya's own words the Arthasastra was "for the use of the king". Arthasastra regards Dharma as the "King of kings". Naturally the king had to conduct the affairs of state not as he liked but as an agent of Dharma. The Arthasastra is the king's manual to carry out Dharma. The king is advised to accept the Varnashrama Dharma and to enforce it.

What is the relevance of a king in this space age opting for republican forms of governments? What place has Varnashrama Dharma in our forward march to a classless society? Is not the Arthasastra rendered out of date by the radical advances achieved by society in the fields of politics economics and science? An unbiased study of the Arthasastra will dispel the suspicions that generate the above questions. We of the present age have our own responses to and understanding of certain words, phrases and ideas. If we judge the Arthasastra on the basis of the present day we would be indulging in the fiction of mixing the 20th century AD and the 4th Century BC. To avoid the folly we should leave behind the 20th century AD and travel backwards to the 4th century BC. Having looked at the people, institutions and ideas as they were in the 4th century B.C. we should come back to our own times and then proceed to assess the ideas of those times.

Though the superficial modalities of social life may change from decade to decade or century to century there exist certain constants in social life. The concept of sovereignty is inalienable from the concept of government. Whether it operates through a king or through a council of ministers with a popular base, the duties and prerogatives of sovereignty are the same. If we substitute 'sovereignty' for 'King' the Arthasastra is as valid today as it was 2500 years ago. In Kautilya's time society was broadly divisible into Brahmins (the seekers and propagators of knowledge), Kshatriyas (the soldiers and administrators), Vaishyas (the traders and agriculturists) and Sudras (the less affluent majority that had to seek service under the other three classes). Prescribing separate 'dharmas' for the classes is no different from prescribing codes of conduct for various professions as we presently do. The four 'Ashramas' divide man's life into (1) character building and education (Brahmacharya), (2) Marriage and family life (Garhastya), (3) life of retirement removed from family and possessions (Vanaprastha), and (4) renunciation (Sanyasa). An objection raised against the Varnashrama system is that it denies the Sudras their due. But today we are encouraging the spread of five-star hotels even if they are not within reach of the weaker sections of society.

"In the happiness of his subjects lies his (King's) happiness, in their welfare, his welfare. Whatever pleases himself he shall not consider as good, but whatever pleases his subjects he shall consider as good". Cannot any welfare minded government of today put itself in the place of Kautilya's King and benefit from his advice? Kautilya advises even an "inferior king to attack his ally if the latter's subjects are oppressed". To avoid the risk of popular disaffection Kautilya advises the king "not to march against a virtuous king as it would cause displeasure to his own people". Kautilya always held the people's good above that of the personal good of the sovereign.

wielding the rod

Professor Sinha presents the Arthasastra under various heads like the king, civil service, food and agriculture, industries, control of markets, law and justice, social life, food and drink etc. The many quotations occurring under each head bring home to us the all-encompassing vision, compassion and eye for detail of Kautilya. It is "as difficult to be sure of the financial integrity of an officer as to find out whether the fish in the water drinks or not". The officer supervising the cultivation of crown lands was required to ensure the availability of bullocks, ploughs basket makers and even "snake catchers" just in case of an emergency. "... Kautilya sought to recognise the mutually conflicting interests of the profit-seeking merchants, the money-grabbing state and the purchasing community". He laid down laws to protect the chastity of female slaves from the onslaught of their masters. The means of ensuring the pursuit of philosophy, the three vedas and economics is the Rod (Danda wielded by the king): on it depends the orderly maintenance of worldly life". Even under bondage the conditions of service of slaves in Kautilya's time were so honourable and humane that Megasthenes declared that slavery did not exist in India.

The book is largely a reproduction

of facts as stated in the Arthasastra. The occasional comments made by the author are appropriate. He demolishes the prevailing notion in many quarters that welfare economics and planning are exortic idea and quotes chapter and verse to prove that Kautilya had clearly anticipated modern economists.

Global monetary crisis

Current International Economic Problems: V.S. Mahajan: S. Chand & Co (Pvt) Ltd; Pp 99; Price Rs 25.

Socialistic Pattern in India - An Assessment: V.S. Mahajan; S. Chand & Co (Pvt) Ltd; Pp. 151; Price Rs 25.

Reviewed by **Ashok Kumar Ummat**

DEALING WITH two highly topical subjects in the above two books, V.S. Mahajan, who has been teaching economic development and planning, international economics, economic development of Japan and advanced economic problems to the post-graduate and honour-school students of Punjab University, Chandigarh, for over a decade now, indeed, has done a commendable job. His observations are fortright, based, of course, on well marshalled facts.

The former volume strings together the various economic issues faced by the world economy currently, particularly in the monetary and trade fields. The information about them has to be assiduously gleaned from a variety of communication media as well as the reports of the various world agencies. Written in a simple but lucid, almost jargon-free style, the book traces the genesis of the present global monetary crisis to the excessive dependence for over two-and-a-half decades on a lone currency, the US dollar, which came to be equated with gold. The liquidity problem has been dealt with quite exhaustively with a view to showing how it fails to cater for the requirements of expansion of global trade.

The various efforts - the issue of special drawing rights, increasing of the spread around the mean exchange rates, floatations of currencies, avoidance of competitive devaluations, etc—made to sort out matters have been dwelt upon chronologically up to the end of 1973 - the period covered by the book. As it was too early to assess at that juncture the complications arising out of the hike effected in 1973 in the price of crude oil by the oil exporting countries, the author only hoped that a lasting solution to the world problems would be found out though after some delay.

The book lays special emphasis on the problems of the developing economies. An attempt has been made to show how the efforts of the UNCTAD have been thwarted by the developed nations concerned primarily with their own economic interests. The author, however, lauds the endeavours of the UNCTAD in putting forth the developing countrie's basic problems of trade and development in a systematic and well argued manner and also for securing a larger share of world trade for these economies through such measures as commodity arrangements, the generalised tariff preference scheme, etc. He, however, concludes that considering the attitude of developed economies, UNCTAD should try to encourage larger trade and economic cooperation among the developing countries itself for which there appears to be considerable scope.

The book obviously needs to be up-dated in the light of the events subsequent to 1973—the accentuation of global inflationary trends in 1974, followed by recessionary tendencies in the advanced countries which worsened the plight of the non-oil exporting countries, lack of agreement on return to fixed exchange parities, the resistance from some of the advanced countries to international buffer-stocking of primary products, the emergence of oil exporting countries with large investible funds, etc. But even otherwise, it provides a good background for understanding the current global economic problems.

The second book, containing an assessment of the government of India's policy of socialistic pattern of society is equally useful not only for the students of economics but also for the general reader interested in knowing the outcome of the policies pursued by us since independence, in line with the political philosophy of non-alignment with either of the two power blocs. It starts with discussing the rationality of the middle path adopted by us for fostering economic growth and traces how the early overwhelming emphasis on building up a socialistic society came to be somewhat diluted after the second five-year Plan when caution and pragmatism were injected into the policy to suit the circumstances.

major beneficiaries

Analysing in detail the policies adopted for the development of agriculture, industry and infrastructure, the author reaches the conclusion that the major beneficiaries of these policies have been the big farmers in the rural areas and the big business houses in industry. Even the development of infrastructure has been more urban-oriented than rural-oriented. Quoting from the fourth five-year Plan document, he asserts that planned development has failed to result in a more even distribution of benefits, a fuller life for an increasingly large number of people and building up of a strong integrated democratic nation.

So far as agriculture is concerned, the author emphasises that the pitiable lot of the growing number of agricultural labourers and the not-so-encouraging a lot of the small farmers cannot be improved by creating alternative short-time occupations for them. The real solution lies in setting up more and more state farms where these people can find gainful employment opportunities. In regard to industry, while the author advocates greater governmental responsibilities directly, he also calls for the development of the small-scale sector at a rapid pace. In the field of infrastructure, he thinks that the approach should shift from investment deepening to investment widening. Instead of overdoing urban development, greater resources in future, he suggests, should be earmaked for the development of infrastructure in the rural areas.

Quite pertinently, the author, of course, points out that the concentration of wealth, both in the agricultural and industrial sectors, has been the result of the government's policies, though they aimed at differently.

In sum, the treatment of the two subjects in the two volumes is analytical. as well as historical. The job has been done with clarity in easily intelligible language.

Books received

Economic Feasibility of an Asian Common Market : (A Study of the ESCAP Region) : Trilok N. Sindhwani; Sterling Publishers Pvt. Ltd. AB/9, Safdarjang Enclave, New Delhi-110016; Pp. 230; Price Rs 50.

Pulses: An Analysis of Demand and Supply in India 1951-71 : Kusum Chopra and Gurushri Swamy; Sterling Publishers Pvt Ltd; Pp. 132; Price Rs 30.

Environment: Problems of Developed and Developing Countries : Colonel R Rama Rao; Economic and Scientific Research Foundation; Sapru House, New Delhi; Pp 52; Price Rs 10.

Population Explosion: Col R. Rama Rao, Economic and Scientific Research Foundation; Pp 72; Price Rs 12.

An Account of the Presidency Banks: J.B. Brunyate; Reproduced from the printed copy supplied by Finance Library; Brought out to observe the centenary of the Presidency Banks Act 1876, by State Bank of India, Central Office, Bombay: Pp. 117+XXVII

The History of the Bank of Bengal: G.P. Symes Scott; Reproduced from the printed copy supplied by National Library, Culcutta; Brought out to observe the centenary of the Presidency Banks Act 1876, by State Bank of India, Bombay; Pp. 166.

The Rise, Progress and Present Condition of Bankng in India: Reproduced from the printed copy supplied by National Library, Calcutta; Brought out to observe the centenary of the Presidency Banks Act, 1876, by State Bank of India, Bombay; Pp. 424.

Co-operative Democracy in Action: O.R. Krishnaswami; Somaiya Publications Pvt. Ltd; 172, Mumbai Marathi Grantha Sangrahalaya Marg, Dadar, Bombay-400 014; Pp. 271; Price Rs 40.

Social Accounting for Developing Countries : P.L. Arya; Macmillan Company of India Ltd; 2/10, Ansari Road, Daryaganj, New Delhi 110 002; Pp. 178; Price Rs 45.

Economics of Hedging: M.G. Pavaskar; Popular Prakashan, 35 C Tardeo Road, Bombay-400034; Pp. 144; Price Rs 30.00.

Sugar Industry in India, My Recollections : R.N. Agarwal; Popular Prakashan: Pp. 231; Price Rs 60.00.

Wage Structure and Labour Mobility in a Local Labour Market: T.S. Papola and K.K. Subrahmanian; Published by Sardar Patel Institute of Economic and Social Research; Distributed by Popular Prakashan; Pp. 214; Price Rs 45.00.

Readings in Kautilya's Arthasastra : B.P. Sinha; Agam Prakashan, 1736, Tri Nagar, Delhi-110035; Pp. 184; Price Rs 50.00.

An Outline of Labour Legislation and Practices in India: Published by Indian Investment Centre, Jeevan Vihar, Parliament Street, New Delhi 110 001; Pp. 60: Price Rs 7.00.

Invest in Yourself : Published by Indian Investment Centre: Pp. 96; Price Rs 10.

Health and Population : S. L. Ogale; Published by Smt. Shaila S. Ogale, 3 Sneh-Sadan, S. T. Road, Mahim, Bombay-400 016; Pp. 319; Price Rs. 32.00.

Foreign Investment Policies (Select Country Profiles) : Published by Indian Investment Centre, Jeevan Vihar, Parliament Street, New Delhi-110 001; Pp. 120; Price Rs. 10.00.

Industrial Licensing and Foreign Collaboration : Published by Indian Investment Centre; Pp. 81; Price Rs. 10.00.

Productivity, Wages and Industrial Relations : G. K. Suri; Affiliated East-West Press Pvt. Ltd., 9, Nizamuddin East, New Delhi-110013; Pp. 144; Price Rs. 38.00.

Why not promote all class IV staff to class III?

TRADE WINDS

Assistance from West Germany

WEST GERMANY has agreed to extend to India financial assistance totalling Rs 32.13 crores. (DM 362 million) for the current financial year.

The agreement for the assistance was signed in Bonn recently by Dr Lothar Lahn, ministerial director in the Federal Foreign Office and Dr Franz Kalmser of the Federal ministry of Economic Cooperation on behalf of the government of Federal Republic of Germany, and Mr M. Narasimham, Additional Secretary, ministry of Finance, on behalf of the government of India.

The assistance has been provided for the following purposes : (1) Commodity aid of Rs 16.42 crores (DM 45 million) to be utilised for financing India's current civilian import requirements; (2) project assistance of Rs 34.68 crores (DM 95 million) for financing the foreign exchange costs of mutually selected projects; (3) loan to Indian development banks to the extent of Rs 9.12 crores (DM 25 million). These will be extented to the Industrial Finance Corporation of India Rs 5.48 crores (DM 15 million) and the Industrial Credit and Investment Corporation of India Rs 3.65 crores (DM 10 million) to enable the imports of capital goods for small and medium enterprises assisted by these financial institutions; (4) capital goods assistance of Rs 9.13 crores (DM 25 million); (5) liquidity assistance of Rs 10.95 crores (DM 30 million) towards debt relief; (6) a prolongation loan of Rs 51.10 debt relief and (7) a grant of Rs 0.75 crores (DM 2 million) for the Tawi Rural Development Programme.

IDA Terms

The assistance at serial numbers 1 to 5 (as mentioned above) will be extended as a credit on IDA conditions, viz, maturity after 50 years including a grace period of 10 years and a rate of interest of 0.75 per cent. These terms are significantly softer than those for such loans in previous years. The loan at serial number 6 will have, as in the previous year, a maturity of 30 years, including a grace period of 10 years and a rate of interest of 2.5 per cent.

All loans extended by West Germany are untied and enable India to procure goods and services on the most competitive basis.

Wagon Units Nationalised

The President promulgated two Ordinances on June 23, called the Burn Company and India Standard Wagon Company (Nationalisation) Ordinance 1976 and the Braithwaite & Company (India) Ltd. (Acquisition and Transfer of Undertakings) Ordinance 1976, nationalising the undertakings of these three companies. The undertakings of Burn & Company and ISW as well as those of Braithwaite & Company (India) Ltd. were vested in the central government with effect from April 1, 1975.

Burn & Co.

Burn & Company Ltd was incorporated in 1895 at Calcutta and its works are located at Howrah, Raniganj, Gulfarbari, Jabalpur, Niwar, Durgapur, Ondal Lalkoti and Salem. In the Howrah works, the company is engaged in the manufacture of railway wagons, cranes, heavy steel structural fabrication, steel castings, steel forgings, cast iron castings and railway points and crossing. The other works are engaged in the manufacture of refractories and ceramics.

Indian Standard Wagon Co. was incorporated in 1918 at Calcutta and its works are located at Burnpur, Asansol (West Bengal). It is engaged in the manufacture of railway wagons, steel forgings, leaf springs, coil springs and complete sets of components for wagons etc. for forgings, pressing, drop stamping etc.

Towards the middle of 1973, these companies reached a stage where these were almost on the verge of closure. The government stepped in and the management of the undertakings was taken over on December 19, 1973 under the Burn Company and Indian Standard Wagon Company (Taking over of Management) Act, 1973. Even at that time the government's intention was to acquire the undertakings of these two companies subsequently. The nationalisation of these two companies now has flown out of this decision.

In terms of the provisions of this ordinance a custodian has been appointed. The undertakings of the companies will be transferred to a government company, which would be known as Burn Standard Company. In consideration of the acquisition of the undertakings of Burn & Co Ltd and Indian Standard Wagon Co Ltd, it has been provided to make a payment of Rs 13.88 crores and 11.35 crores to these two companies.

Braithwaite & Co.

Braithwaite & Company (India) Ltd. was incorporated in 1930 and has two manufacturing units, one located at Calcutta (Clive Works) and another as Angus works near Calcutta. In the Clive works, manufacturing activities comprise of various types of railway wagons, structural/steel work for bridges and heavy workshops buildings, and pressed steel tanks. In the Angus Works, various types of cranes, road rollers, jute carding machines, roll formers, power sweepers, grey iron castings and steel forgings are manufactured. The company started incurring continued losses after the recession of 1966 and as a result the main centre of activity of the company at its Clive works had to be closed down on January 18, 1971. The government, after appointing a committee, took over the management of the company under the provision of the IDR Act with effect from March 6, 1971. The works of the company reopened on March 29, 1971.

At the time of take-over, the company's accumulated losses were very substantial. The government has been financing the company all along and goverement loans have progressively increased to more than Rs 22 crores by March 31, 1975.

A scheme of modernisation has been undertaken and government has already sanctioned funds for the purpose. By virtue of this ordinance, the undertakings of the company have vested in the central government with effect from April 1, 1975 and a custodian has been appointed.

Awards For Import Substitution

The Pressdent, Mr Fakhruddin Ali Ahmed, presented 22 National Awards recently for meritorious import substitution to those institutions and individuals who have developed new products as substitutes for imported materials through their ingenuity and enterprise. The awards comprised one gold shield, nine silver shields, six bronze shields, certificates of merits and cash ranging from Rs 2,000 to Rs 5,000.

The gold shield was awarded to M/s Punjab Tractors Ltd. Chandigarh for the development of an agricultural tractor, Swaraj-124, which is the only tractor made in the country with 100 per cent indigenous know-how and technology having 100 per cent indigenous content. During the year 1974-75, this unit saved nearly Rs 40.2 millon in foreign exchange.

Some details about the other 21 award-winners are; (1) National Dairy Development Board, Gujarat—awarded a Silver Shield for the development of Bulk Vending System for consumable liquids. (2) Maize Products, Gujarat — awarded a Silver shield for the development of Anhydrous Dextrose. (3) Metal Powder Co Ltd, Tamil Nadu — awarded a Silver Shield for the development of Leafing Grade Aluminium Powder which is suitable for slurry type explosive compositions. (4) Mr P.D. Kulkarni of Fuel Instruments and Engineers Pvt Ltd, Maharashtra—awarded a Silver Shield for the development of Universal Testing Machine. (5) Harig (India) Pvt Ltd, Uttar Pradesh — awarded a Silver Shield for the development of an Automatic Bread Slicing and Wrapping Machine.

(6) Electronic Corporation of India Ltd, Andhra Pradesh — awarded a Silver Shield for the development of Metal Film Resistors. The originator of the product, Mr L. Satayanarayana, received Rs 2,000 as cash award. (7) Cadmach Machinery (India) Pvt Ltd, Gujarat—awarded a Silver Shield for the development of CM 3D 27 Rotary Tablet Machine and Capsule Sealing Machine. (8) Electronic and Radar Development Establishment, Karnataka—awarded a Silver Shield for the development of Nickel Cadmium Battery of rating 15/2.5 v 7.2 ah/HT/Lt. Mr P.K. Saha, the originator and patent holder, received Rs 3,000 as cash award and other members of the team Rs 2,000 cash. (9) Central Machine Tools Institute, Karnataka — awarded a Silver Shield for the development of Flow Forming Lathe machine for making domestic utensils. (10) Vidyut Udyog, Bihar — awarded a Bronze Shield for the developmert of Carbon Tape used in the high frequency cables to neutralise the corona effect which is produced by flow of high current in the cable.

(11) Kirloskar Electric Co Ltd, Karnataka—awarded a Bronze Shield for the development of DC motor for Roller Table Drives. (12) Simco Meters Ltd, Tamil Nadu and Aeronautical Development Establishment, Karnataka — jointly awarded a Bronze Shield for the development of Gronnd Starting Aggregate for aircraft. (13) Weweld Regulator Co, Maharashtra — awarded a Bronze Shield for the development of High Pressure Charging Regulator MK 111 6D/1702 type. The regulator is used by Air Force for charging oxygen cylinders for high altitude breathing and for release in the after burner of jet planes for emergency speeding of the the aircraft. (14) Kishore Pumps Pvt. Ltd, Maharashtra—awarded a Bronze shield for the development of Vertical Centrifugal Pumps for handling mercury in caustic soda plants. (15) Hifchem Pvt Ltd, Maharashtra—awarded a Bronze Shield and a Certificate of Merit for the development of Glycerol Alpha Monochlorohydrin. This product is used for the production of chlorophenesin and mephenesin drugs and guaicol glyceryl ether.

(16) Mr Sham Sunder Sharma of Jhaveri Thanawala, Maharashtra — awarded Rs 2,000 cash and a Certificate of Merit for the development of Fibre Glass Discs treated with phenolic resin for reinforcement of grinding wheels. (17) M/s B.S. Govinda Rao, P.S. Ragahvendra, V.K. Chaturvedi, Anil Kumar, K. Ramaswamy, T.G. Vasudevan and R. Ramakrishna, Engineers of Indian Telephone Industries Ltd, Karnataka—awarded a Cash Prize of Rs 5,000 and a Certificate of Merit for the development of ARQ equipment. This is an automatic error correcting equipment providing protection to transmission of telegraph messages of high fidelity on

interference prone transmission path.

(18) Mr Uttam Bhandari of Protection (India), Karnataka — awarded Rs 4,000 cash for the development of Time Delay (Slo-Blo) Fuses and Anti-Surge Fuses. These fuses provide high speed action necessary to protect the sensitive electronic circuits. (19) Mr Kumar Balram Bhatia of Blue Steel Engineers Pvt Ltd, Maharashta—awarded Rs 4,000 Cash and a Certificate of Merit for the development of a Shore Hardness Tester for Rubber. The tester has established export market.

(20) Mr Jugal Kumar Paul of Breathing Equipment Co, New Delhi - awarded Rs 2,000 cash for the development of Automatic Versatile Respirator of various types. (21) Mr Brahm Datt of Mohan Tools Corporation, Delhi — awarded Rs 2,000 cash a Certificate of Merit for the development of a fully Automatic High Output Labelling Machine. The country saved nearly Rs 77.5 million in foreign exchange during 1974-75 as a result of the efforts of these awardees.

Sugar for Free-sale

The union government has decided to release an additional 10,000 tonnes of free sale sugar for immediate sale to correct the trend of sugar price which has shown a slight rise in the last few days.

This is in addition to the 205,000 tonnes of levy sugar and 80,000 tonnes of free sale sugar released already for the month of June. A spokesman of the department of Food stated that the government expected the trend to respond by ensuring that the prices were not allowed to rise.

Better Cargo Facilities

The International Airports Authority of India has undertaken a crash programme for facilitation of export cargo from Delhi and Bombay to meet immediate requirements. At Delhi, an export examination cargo terminal is being set up for the airlines who do not have their own cargo units at the airport or whose cargo is handled by Air India. At Delhi airport, airlines like Air-India, Pan Am and Air France who have their independent cargo units, have been allowed to extend the covered space.

The Central Warehousing Corporation has been offered a plot of land on the south of the main runway measuring one hectare for constructing an import warehouse. At Bombay, an export examination shed was commissioned early this month. The facility has helped the customs, airlines and cargo industry by providing custom examination of all cargo centrally in the shed. The shed covers area of 10,000 sq feet and its construction has been completed in a record time of four months.

Indian Airlines

In December 1976, Indian Airlines crossed the 10,000 passengers a day mark.

To be precise Indian Airlines carried on an average 10,550 passengers in December 1975. In January 1976 it carried 10,355, in February —10,400 and in March—10,130 a day. Thus the airline has crossed for the first time 3.36 million passengers mark in 1975-76. This represents a growth of 15.7 per cent compared to the world average of about four per cent. On the trunk routes alone the growth rate was 16.5 per cent. Availing of the 'Discover India' and 'Youth Fare' scheme, 7638 tourists travelled by Indian Airlines between September 1975 and March 1976 as against 4,657 tourists during the corresponding period of 1974-75. This indicates a growth rate of 64 per cent.

Trade Fairs

Swiss National Fair

Swiss National Fair will be held in Lausanne from September 11 to 26, 1976. It is Switzerland's important economic fair with emphasis on industry and agriculture. The fair has nearly 2,500 exhibitors showing Switzerland's economic activities and services.

Brno International Fair

The International Engineering Fair at Brno in Czechoslovakia is to be held from September 15 to 23, 1976. On an area of 75 hectares, nearly 2,000 exhibitors from 30 countries present their engineering products. Machines and equipments for textiles, foot wear and leather industry, are to be the key group for exhibition.

International Food Products Exhibition

The international food-products exhibition (SIAL) is to be held from November 15 to 29, 1976 at the Palais Sud of the Parc des Expositions, Porte de Versailles, Paris. The exhibition will bring together nearly 50 countries this year as against 32 in 1974. Various products on display include food items, dairy and poultry products, meats, fruit and vegetables, sweets, bakery, dietetic products, sausages, pork meat-preserves, deep frozen products, grocery provisions, beers and soft drinks, wines, ciders and spirits.

DFIs Meet

The sixth regional conference of Development Finance Institutions (DFIs) of Asia and the Pacific will be held at the Asian Devolopment Bank's headquarters in Manila from September 29 to October 1, 1976. The conference, to be convened by the ADB, will provide a forum for an exchange of views between the participants. It will be attended by senior officials of 34 DFIs from the region and other organizations involved in development financing and related activities in regional and non-regional countries.

The main theme of the three-day conference will be "Development Through Co-operation Among Development Finance Institutions."

Names in the News

Mr M. N. Govindaraj has taken over charge as Managing Director, Tamil Nadu Industrial Investment Corporation Limited from **Mr A.M. Sundararaj, IAS,** on June 17, 1976. Mr Govindaraj was till recently attached to Credit Planning Department of the Reserve Bank of India, Bombay.

COMPANY AFFAIRS

Escorts

PRODUCTION AND SALES turnover of the Escorts Ltd, during the first 5½ months of 1976 exceeded Rs 38 crores as against Rs 32 crores in the corresponding period of 1975. The profit of the company was close to Rs 3 crores compared to Rs 1.74 crores in the same period last year.

The installed manufacturing capacity of the automobile ancillary industry in the country is far in excess of the domestic demand. The chairman of the company, Mr H.P. Nanda, called for better utilisation of automobile ancillary capacity for exports. The company is also actively engaged in exploring export markets for its products.

New Projects

In may 1976, the company started a new export-oriented project CGR-India at Santa Cruz Electronics Export Processing Zone in Bombay. CGR-France are the collaborators for this project. The products from this venture will be exported to the USA, the UK, Canada, West Germany, France, Italy and Spain.

The International Finance Corporation, Washington and the consortium of Indian financial institutions have approved a loan of Rs 12.5 crores, including $16.5 million, for the expansion of piston and piston pin manufacturing plant of the company being set up at Bangalore. The plant is expected to commence production by November 1977.

In the field of R & D, Mr Nanda highlighted the achievements of the company, especially the 4-wheel drive tractors, developed entirely by the company's own team of young engineers to meet the requirements of middle-east and south-east Asian countries.

Sundaram Finance

The working results of Sundaram Finance Ltd, disclose a sharp rise in the gross income from hire-purchase business and from other sources, as well as net profits before taxation. The amount advanced on hire-purchase contracts during 1975 amounted to Rs 1309.77 lakhs as against Rs 1336.23 lakhs in the previous year. The earnings in the hire-purchase transactions during the year 1975 were Rs 314.26 lakhs compared to Rs 219.36 lakhs during the year 1974. There was an increase in the administrative expenses from Rs 34.20 lakhs in 1974 to Rs 46.37 lakhs in 1975.

The directors of the company have recommended an equility dividend of 16 per cent for the year 1975. Under the provisions of Companies (Temporary Restriction on Dividend) Act, 1974, a dividend of 12 per cent will be paid immediately and the balance of four per cent in two equal instalments in July 1976 and July 1977, with an interest of eight per cent.

The directors of the company have recommended capitalisation Rs 50 lakhs from the general reserve for the issue of bonus shares of Rs 10 each to be given to the existing shareholders in the ratio of one bonus share for every two equity shares held. The bonus shares will rank *pari passu* in all respects with the existing shares and shall be entitled to any dividend declared from January 1, 1976.

TISCO

The Tata Iron and Steel Co Ltd suffered a sharp set-back in its working for the year ended March 31, 1976. The gross profit of the company declined from Rs 43.10 crores to Rs 28.87 crores during the year. The net profit of the company was also sizably lower at Rs 7.87 crores as compared to Rs 12.37 crores last year. Total turnover this year amounted to Rs 287.63 crores as against Rs 279.22 crores for the preceding year.

Subject to the approval of Controller of Capital Issues, the directors of the company propose to raise the paid-up value of equity share from Rs 75 to Rs 100 by capitalising Rs 12.86 crores from its general reserves. With this capitalisation the ordinary share capital of the company will increase from Rs 38.58 crores to Rs 51.44 crores divided in 51,44,027 equity shares of Rs 100 each fully paid-up. There will also be an increase in the total share capital of the company from Rs 49.98 crores to Rs 62.84 crores.

A notable achievement of the company during the year under review was its exceeding the target of one million tonnes of steel exports.

Dalmia Cements

The working results of Dalmia Cements for the year ended December 31, 1975 showed improvement over the previous year, despite a rise in cost of raw materials, wage bills and continued power shortage. Sales turnover of the company increased from Rs 15.77 crores in 1974 to Rs 18.80 crores in 1975. Gross profits of the company in 1975 were Rs 2.78 crores as compared to Rs 2.17 crores in 1974.

The directors of the company have recommended a dividend of nine per cent on preference shares and 20 per cent on equity shares. Dividend payments will absorb a sum of Rs 60.19 lakhs—Rs 2.80 lakhs for preference shares and Rs 57.39 lakhs for equity shares. The dividend on equity shares will be paid subject to the provisions of the Companies (Temporary Restrictions on Dividend) Act, 1975.

Production of cement during the year 1975 was of the order of 492,000 tonnes as against 424,000 tonnes in the year 1974, a rise of 15 per cent.

Harig India

Harig India Private Ltd has received the national award for import substitution for its automatic bread slicing and wrapping machine. The machine has been developed indigenously by a team of young engineers of the company. This machine costs Rs 3.5 lakhs as against an import price of Rs 5 lakhs for the same type of machine. The company supplied its first machine in October 1974 to Britannia Biscuits Co Ltd. It has already supplied five more machines since then. The company has a capacity of manufacturing about six machines per year. The company at present is exploring the export potential of this machine and is hopeful of getting export orders from Iraq.

Modi Industries

Adverse economic conditions, fall in demand, higher production and lower capacity utilisation were the factors responsible for the unsatisfactory performance of Modi Industries Ltd for the year ended October 31, 1975. Although there was a marginal increase in the gross turnover from Rs 30.76 crores to Rs 32.45 crores in the year 1974-75, the company incurred a net loss of Rs 1.52 crores for this year against a net profit of Rs 38.88 lakhs for the previous year. After making other adjustments, the company showed a negative balance of Rs 1.36 crores for the year 1974-75 against a surplus of Rs 72.16 lakhs in the previous year. The directors of the company have skipped the equity dividend for the year.

Brooke Bond

The Brook Bond India Ltd will be issuing 46,90,000 fully paid-up equity shares of Rs 10 each to the existing shareholders as fully paid bonus shares in proportion of seven bonus shares for every 10 fully paid-up equity shares held by those members whose names appear on the company's Register of Members as on August 3, 1976 on capitalisation of an amount of Rs 4.18 crores from the general reserve and a sum of Rs 50.25 lakhs out of the share premium account. The bonus shares to be so allotted shall rank in all respacts *pari passu* with the existing equity shares except that the bonus shares shall not participate in any dividend which may be declared in respect of the financial period of the company ending July 3, 1976.

After the allotment of the bonus shares, the company will also offer 28,56,150 equity shores of Rs 10 each as right shares to resident Indian nationals for cash at a premium of Rs 3 per share to those members whose names appear on the Register of Members as on August 3, 1976. Letters of rights setting out the terms of the rights issue will be despatched in due course to the shareholders entitled to the same.

For the purpose of the above issues the Register of Members and the transfer books of the company will remain closed from July 14, 1976 to August 3, 1976, both days inclusive.

Century

The cement unit of Century Mills which commenced production in 1975, produced about 360,000 tonnes of cement during the 'base period'. It expects to produce 660,000 tonnes during the current year. The additional cement production of 540,000 tonnes would qualify for 25 per cent of excise duty relief amounting to about Rs 82 per tonne. The excise relief to the company on cement alone would be about one crore of rupees. The relief would be larger when the company's other cement plant goes into operation.

Indian Hotels

The Indian Hotels Co Ltd has once again shown excellent working results for the year ended March 31, 1976.

During the year the total revenue of the company rose from Rs 726 lakhs to Rs 861 lakhs or by 18.5 per cent over the previous year. After providing Rs 50.47 lakhs (previons year Rs 49.39 lakhs) for depreciation and Rs 48.84 lakhs (previous year Rs 52.21 lakhs) for interest, the company's profit before tax was Rs 137.91 lakhs compared to Rs 98.37 lakhs in the previous year, reflecting an increase of 40.2 per cent.

Having adjusted the benefit of the relief available to the company for exemption of income-tax under Section 80J of the Income-tax Act in respect of new undertakings, the company became liable to tax during the year (previous year Rs nil) and has made a provision for tax of Rs 33 lakhs.

After providing Rs 7.06 lakhs towards development rebate reserve (previous year Rs 1.45 lakhs) and making adjustment of refund for income tax pertaining to the earlier years amounting to Rs 1.23 lakhs (previous year—payment of Rs 0.02 lakhs) the amount available for appropriation is Rs 99.08 lakhs (previous year Rs 96.90 lakhs) of which Rs 41.09 lakhs has been provided for payment of dividends as recommended by directors as against Rs 37.44 lakhs for the previous year.

The directors of the Indian Hotels Co Ltd have recommended, subject to deduction of applicable taxes at source, the payment of dividend of Rs 9.30 (previous year Rs 9,30) on the 9.3 per cent cumulative redeemable preference shares of Rs 100 each and a dividend of Rs 2 (previous year Rs 1.80 including the deferred dividend in terms of the Dividend Act than in force) on the ordinary shares of Rs 10 each.

Bonus Shares

The directors have also recommended issue of bonus shares in the ratio of two bonus shares for every five equity shares held, by capitalisation of Rs 72 lakhs from reserves. Barring unforeseen circumstances, the directors have indicated their intention to pay a dividend of 18 per cent on the increased equity capital after the issue of bonus shares.

News and Notes

A pilot plant for the production of Borax, set up by the scientists of the Regional Research Laboratory (RRL), Jammu, under the auspices of state-owned **Jammu and Kashmir Minerals Ltd**, will go into trial production very soon. The plant is located in 4200 metre high Puga Valley in the remote area of Ladakh.

Apart from providing technical assistance for this project the RRL scientists will also take up another project for the recovery of Potash from Tsokar Lake, situated at an altitude of 5100 metres about 20 km from Puga Valley. The project is of significant importance as India is totally dependent on foreign sources for these products.

Jessops & Co Ltd, the Calcutta based public undertaking has drawn up a Rs 8 crores rehabilitation programme to cope with its growing export commitment and for the production of new equipment for home consumption. The programme has been cleared, both by the ministry of Industry & Civil Supplies and the Planning Commission.

The company has in hand an order worth Rs 2 crores for the supply of two level stuffing cranes—120 tonnes each—for the dry docks at Dubai. The company has decided to work in collaboration with Clark Chapman of England, for the supply of heavy duty cranes in third countries.

Rajasthan Financial Corporation has sanctioned loans aggregating Rs 10.74 lakhs to eight industrial units in the state on the advice of the loans sub-committee of the corporation. It will generate an employment for about 90 technically qualified and other persons.

One of the industrial unit will be set up in Nagaur, an industrially backward district of the state and remaining seven units will be set up in Jaipur, Bikaner & Kota districts. One industrial unit which will manufacture Plaster of Paris is being set up by an unemployed technocrat at Bikaner. Other industrial units will manufacture Potassium Ethyl Xanthate, nails and shoe tacks, marble sawing and slabs, dal and edible oils, refined salt etc.

New Issues

Nagarjuna Steel Ltd is setting up a Rs 5.10 crores cold rolling mill complex with a capacity of 12,000 tonnes per annum, in a notified backward area of Andhra Pradesh. The company is entering the capital market on July 7 and offering 7.35 lakh equity shares of Rs 10 each at par and 23,000 redeemable cumulative preference shares of Rs 100 each carrying an interest at the rate of 11 per cent per annum. The subscription list will close on July 17 but not before July 9. The project has been promoted by the Andhra Pradesh State Industrial Development Corporation Ltd.

The project will be financed by equity share capital of Rs 147 lakhs, preference share capital of Rs 23 lakhs, term loans and debentures of Rs 323.47 lakhs, unsecured loans Rs 1.53 lakhs and central subsidy of Rs 15 lakhs.

The plant is expected to start trial production in October 1976 and commercial production by January 1977. On full production company expects to have a turnover of Rs 6 crores. Mecon will be acting as technical consultants of the company.

New Registrations

One hundred and ninety companies with an authorised capital of Rs 8455.75 lakhs were formed during the quarter ending March 31, 1976.

Out of these 13 were public companies and 177 private. In the northern region, comprising Haryana, Uttar Pradesh, Rajasthan, Himachal Pradesh and Jammu and Kashmir and union territories of Delhi and Chandigarh, only 167 companies were registered during the preceding quarter.

During this period nine companies went into liquidation, two companies were struck off the Register of companies under Section 560 of the Companies Act, 1956, and two companies transferred their registered offices from Rajasthan to other regions.

One hundred and seventeen prosecutions were filed by the Registrar of Companies against companies and their delinquent officers in Delhi and Haryana. Of the cases decided, 116 resulted in conviction. Fines collected totalled Rs 35,075.

In Uttar Pradesh 26 fresh prosecutions were launched, of the cases decided 14 resulted in conviction and a fine Rs 1718 was imposed.

In Punjab and Himachal Pradesh out of the cases decided 23 cases resulted in conviction and a fine of Rs 2260 was collected.

Dividend

Name of the company	Year	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Makum Tea	Dec. 1975	25	20
Asian Paints	Dec. 1975	15	11
Same Dividend			
Widia India*	Dec. 1975	12	12
Lower Dividend			
TISCO	March 1976	10.33	11.07
Zenith Steel	April 1976	12.5	12.7
Sundatta Foods	Dec. 1975	Nil	12

*The dividend is on the increased capital.

COMPANY MEETINGS

The Madras Aluminium Co., Ltd.

Shri R. Venkataswamy Naidu's Review

The following is the address to members of the Company delivered by Shri R. Venkataswamy Naidu, Managing Director, at the 16th Annual General Meeting of The Madras Aluminium Company Limited held at 'Shanmuga Manram' Race Course, Coimbatore—18 on Monday, the 28th June 1976:—

I welcome you all to the Sixteenth Annual General Meeting of the Company.

At the outset, I request the Members to observe a minute's silence as a mark of respect to the memory of the late Bharat Ratna Shri K. Kamaraj. In him the country has lost a great patriot, a leader of the masses and one who rendered yeoman service to the country and the people throughout his life. As you are all aware, he was instrumental in setting up the aluminium industry in the State.

Shri R. Venkataswamy Naidu

During the year 1975, your Company had to face serious difficulties on account of critical power position and low realisation for its products. The power cut amounted to 75% during part of the year. The production losses amounted to nearly 5,000 tonnes and the company had to spend nearly Rs. 40 lakhs to restart the plant.

During July 1975, the Government of India announced the New Integrated Aluminium Policy by which the electricity tariff was revised upward for the aluminium industry and the new dual pricing policy was devised. Under this policy, our electricity rates went up by nearly four times. At present we have to supply 50% of our production as levy metal at prices which do not take into consideration depreciation and profit on invested capital. These are expected to be covered by the sale of non-levy metal for which there is no price control. Unfortunately, due to the high cost of the metal, increase in excise duty and the general economic recessionary trend, consumer resistance developed and the stocks started pilling up. At one stage, the producers in the country were holding stocks of over 35,000 tonnes. Your Company's stock also went up to over 3,000 tonnes. Consequently, the Company's working finance got reduced and additional bank finance had to be arranged and high interest rates had to be paid on the liabilities to suppliers and repayment of term loans to financial institutions had to be rescheduled. In spite of these very adverse conditions, the Company was able to avoid incurring cash losses due to prudent management measures.

The Company's performance during the first half of 1976 is far from satisfactory. In order to improve the demand for the metal, the Government of India reduced excise duty on non-levy metal by Rs. 1,200/- per tonne in March 1976. In order to enable the producers to reduce their huge stocks, they also permitted the export of 20,000 tonnes for 1975-76 period and an initial 15,000 tonnes for 1976-77. In order to reduce stocks, we also exported about 2,000 tonnes of metal, incurring considerable cash losses.

In this context, I wish to refer to the export policy of the Government of India for virgin aluminium. After a lapse of 6/7 years, the Government of India permitted the export of aluminium in limited quantities, i.e. 35,000 tonnes. I understand that the Government of India are likely to review the position at a later stage regarding permitting further exports. When the Indian producers exported the metal, they had to do so at considerable cash losses ranging from Rs. 500/- to Rs. 1,500/- per tonne. However, at present there is a pick up in the price in the international market and by the end of this year the price for aluminium in international market is expected to rise considerably. Hence, I appeal to the Government of India to reconsider the matter and to permit exports of aluminium in order to sustain the foreign markets for future years and also to earn valuable foreign exchange.

I am aware that you are seriously concerned about the future of the Company as it has been facing setbacks continuously ever since 1973. I wish to assure you that your Company has a bright future in spite of the temporary setbacks. Aluminium being the most important non-ferrous metal, in view of the abundantly available resources of bauxite in the country, has a very important role to play in the nation's economy.

As you are aware, we have installed facilities for production of 25,000 tonnes per year of primary metal. Our capacity on the basis of power availability is only 22,000 tonnes at present. Though the Government of

Tamil Nadu have sanctioned 94 MVA to our smelter, they have only made available 67 MVA so far due to inadequate line and transformer capacities. The additional power is expected to be made available before the end of this year.

The Members will be glad to know that the Company has finalised its agreement with Scal GP of France for the acquisition of knowhow for manufacture of the Sheet Casting Machine and the manufacture of sheets utilising continuous casting technique. We have already successfully completed trial runs of a sheet casting machine of a smaller size and we have trial marketted about 70 tonnes of sheets produced out of this caster. We have programmed to start commercial production of sheets during the later half of this year. Our project work on extrusion press is at an advanced stage and we are negotiating with the suppliers for minimising the import requirements. Hence, I once again wish to reiterate that, with the general improvement in the economic climate in the country, with the availability of power for full production of 25,000 tonnes and with the diversification of plans on hand, your Company has a bright future.

Before I conclude my speech, I wish to thank the Government of India, Government of Tamil Nadu, our Collaborators, M/s. Mediobanca, Government Financial Institutions and our Bankers for their continued cooperation and for the help rendered to us. I also wish to pay a tribute to our employees at all levels for their devoted service.

Note : *This does not purport to be a record of the proceedings of the Annual General Meeting.*

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Trade Development Authority

Speech by

Shri S. G. Bose Mullick

Chairman

Trade Development Authority at the Sixth Annual General Meeting held at Bank of Baroda Building, 16, Parliament Street, New Delhi-110001 on June 29, 1976.

Gentlemen:

It gives me great pleasure to welcome you this morning at our 6th Annual General Meeting. The Report for the year 1975-76, together with the Audited Statement of Accounts is already with you. I hope, you have had a chance to go through them.

The Trade Development Authority has now completed six years of its existence. After rendering devoted service to this institution since its inception, Shri A.C. Banerjee, the first Executive Director of the TDA, retired on 31st August, 1975. I wish to utilise this opportunity to record, on behalf of all of us, our deep appreciation of his outstanding services. The new executive Director Shri A.K. Ray, took over on 15th September, 1975. You will have observed from the Annual Report that the past year has been one of transition for the TDA. The benefit of six years of experience now requires translation into new activity. preparations commenced during 1975-76 for certain new tasks ahead of us. Accordingly, certain internal changes have been carried out in the institution itself.

It is customary to begin with a few observations on the international economic scene. During the year 1975-76, the world economy has faced a number of challenges which have given new directions to the international economic situations. On the one hand, the impact of inflation accentuated by the oil price hike combined with recessionary trends created significant dislocation in the production and trade patterns. On the other hand, there has been a growing awareness among the developing countries that their economic dependence on the developed world has often implied deterioration in the terms of trade and slow progress in the process of industrialisation in the developing countries. This awareness has induced the developing countries to demand a new international economic order in which the disparities in the levels of development, at present observed in the world economy, are reduced in stages. This desire of the developing countries for new international economic order has provided the basic theme of the UNCTAD IV sessions which were recently concluded in Nairobi. It is fortunate that the world economy is recovering from the situation of stagflation and the signs of recovery have become more distinct in the recent past. This recovery is partly indicated by the substantial rise in the import bill of the industrial countries in the first quarter of 1976. This rising trend in the import bill of the major industrial countries has set in right from the last quarter of 1975. However, the increase in the value of the total exports of the industrial countries is rather moderate which might be probably due to a cyclical lag in the recovery of import demands of non-industrial countries. The total exports are valued at $ 137.4 billion during the first quarter of 1976 – about $ 4 billion more than that in the corresponding quarter of 1975. Canada, Japan and the UK have increased their exports significantly in early 1976. There are indications of success in the fight against inflation in both the developed and the developing world. Thus, with the gradual recovery of the world economy, from the painful experience of stagflation, the developing countries could look forward with hope about the bright prospects for their export trade.

As against this environment in the world economy, the Indian economic scene has also shown similar signs of recovery and significant thrust towards faster development. The growth rate of industrial production in the economy was 2.5 per cent in 1974-75. In the first nine months of 1975-76, however, the rate of growth of industrial production has accelerated and is estimated at around 4 per cent. It is expected that the rate of growth for the whole year, 1975-76, would be between 4 to 5 per cent. It is gratifying to note that production in some of the basic industries such as steel, coal, cement, fertilisers and electricity during the first ten months of 1975-76, was substantially higher than in the corresponding period of last year. Growth of production in the heavy engineering sector has also been quite impressive. Coupled with this significant thrust in industrial production, the successful control of inflationary trends in the economy through various fiscal, monetary measures, and good agricultural production along with the new direction given to the economy in terms of the 20-Point Economic Programme announced by the Prime Minister of India, the economy is poised for a significant breakthrough in various fields of activities. The process of international trade has also not lagged behind the general trend of economic activities. India's exports increased from Rs 3330 crores in 1974-75 to over Rs 3900 crores in 1975-76. As against these exports, however, imports also increased during this year, largely on account of the increases in the prices of industrial products and those of food, fuel and fertiliser which together constituted more than 50 per cent of the total import bill. Though the trade gap in 1975-76 is expected to be less than that of the previous year, both the policy-makers and the industry have to prepare plans for eliminating the trade gap in the near future. Part of the increase in our export prospects might be due to the increase in the world export prices of manufactures. Thus, our export efforts have to be given a new direction so that increase in the exports, even in real terms, could be substantial. This objective calls for a systematic analysis of our export performance and also a choice of rational policies.

It is worth noting that various export promotion policies enunciated during 1975-76 have been aimed at providing a sound basis for our export economy. The policies are framed so as to take an integrated view of the entire export activity from the stage of production to the stage of marketing. The bottlenecks hindering the process of export expansion are identified and policy measures initiated to remove them. It is now recognised that export promotion efforts consist of not only providing export incentives but also valuable export services of different kinds to exporting manufacturers and traders. This increase in awareness of the importance of export services among the industry and policy-makers has given a new fillip to the activities of the Trade Development Authority which has the export services as its fundamental objective in its export promotion efforts.

Keeping in view the experiences of the operations of the TDA during the last six years and also the new challenges facing the economy in the coming years, several novel instruments of export services were designed, experimented and perfected by the Trade Development Authority. Among its various novel instruments such as Contact Promotion Programmes, Trade Fairs, Product Adaptation Programmes etc., special mention could be made of the technique of buyer-seller meets which achieved significant success during January-February, 1976. This instrument is unique to the export service system in India and has been well-suited to the requirements of the exporting community. It is distinct from the approach of exhibitions, trade fairs or India weeks in respect of the preparation, the method of execution and the expectations of the activity. While it involves substantial ground work in terms of market evaluation of the products, acquisition of information of market potentials by the prospective participants, product adaptation and designing the products for the specific market, choosing the appropriate buyers etc., it culminates in the active participation of both the buyer and the seller to finally negotiate and strike the deal. Thus, the buyer-seller meet is an integrated approach to the export services required by the exporting community. The TDA has built the necessary skills to arrange such meets on a large scale and the success achieved in the recent meets of New York and Dallas is an indication of the unique abilities acquired by the TDA in this regard. It is not out of place to mention here that spot orders booked at the two buyer-seller meets of New York and Dallas amounted to Rs. 11 crores and substantial enquiries worth nearly Rs. 3 1/2 crores were also generated. Apart from this quantitative success, the buyer-seller meets have opened a new vista of export contacts in a market which is for all practical purposes unlimited.

During the past year, the Trade Development Authority has successfully continued its programme of providing technical advice to the manufacturer-exporters with the help of foreign technical experts. These programmes were made possible under the various bilateral arrangements such as Commercial Development Programmes, SIDA, and UNDP Product Adaptation Programmes. It is often recognised that all export activity begins from the stage of production and as such the availability of technical advice on production would enable the industry to gear itself to the requirements of the foreign markets. Let me take this opportunity to urge the industry to recognise that the process of technological change in the world economy is very fast and unless our exporters keep pace with the technical developments in the world and improve their efficiency of operations and utilisation of resources, no amount of export incentives could be enough for the exporters to remain in the export business.

In the field of export production, the TDA assisted a dozen of its clients in securing import licences for capital goods for creation/expansion of capacity for exports during 1975-76. The total imports of capital goods would be of a value of Rs 3.85 crores against an estimated export of Rs 63.4 crores over a period of 5 years. To help its clients in the execution of export orders, the TDA assisted fourteen clients in obtaining advance licences for import of raw materials and components for a value of Rs 48 lakhs. The execution of the export orders would result in foreign exchange earnings of Rs 2.5 crores. The TDA also secured import licences for prototype samples of a value of Rs 0.74 lakhs for ten clients out of its own foreign exchange allocation for import of samples for product adaptation and development.

Under its various product development and adaptation programmes the TDA has given useful services to its clients in which foreign experts were placed with the clients. These experts gave technical and marketing advice in product areas, bicycles & components, tantalum capacitors, metal-film resistors, knitwear, sports goods and automotive ancillaries. Besides identifying the export potential of individual clients in the chosen product groups, the experts have also brought to surface some gaps in the respective industries in India.

Consequent to the follow up action of the findings and recommendations made by a bicycle expert, brought to India under the Indo-German Commercial Development Programme of the TDA, the government has recently set up a panel for the bicycle industry, under the DGTD. The purpose of this panel is to review the present status of the bicycle industry and to suggest means and measures to step up the level of technology to encourage exports.

Another achievement of the TDA has been in the field of automotive ancillaries in which a very useful and prestigious contact has been established with a renowned German automobile manufacturer. For the first time, Indian firms could obtain orders from this leading automobile manufacturer for supply of specialised automotive fasteners, for fitment as original equipment on certain German vehicles. This breakthrough has been the result of a well-planned strategy and this could open new avenues in export of automotive ancillaries, to a number of other developed countries as well.

The TDA has now felt that there is need for giving urgent attention to the market potentials of the Middle East, Africa and other unexplored regions of the world economy. It is, therefore, felt that the TDA need not necessarily be bound by any geographical constraints so that no opportunity that is worth utilising is ignored or not tackled with due importance and alacrity. It is proposed to introduce flexibility in both the coverage of products and markets in the matter of providing services to the exporting community.

It is gratifying to note that the TDA has been providing the basic analysis much needed for the choice of appropriate trade policies. It should be recognised that a sound export thrust viable in the long run can be achieved only if the products for export promotion, markets for trade contacts and exporting units are all selected with due consideration of various economic factors such as comparative advantage, market potential, efficiency of operation etc. These choices would be possible only on the basis of systematic research studies. We are also trying to develop new promotional ideas, evolve operational criteria based upon rational economic principles for the use of the decision-makers. It is imperative that adhocism in decision-making should be replaced by rational and systematic criteria. A basic thrust for this systematic approach to the export effort comes from our reorganised Research & Analysis Division. During the past year, we were fortunate to secure, on loan, from the University of Bombay, the services of Dr. V.R. Panchamukhi, a renowned expert on International Trade, to head our Research and Analysis Division. Under his able leadership, the Research and Analysis Division has been engaged in the task of bringing about uniformity and qualitative improvement in our market research and market surveys, conceptualisation of programmes undertaken bilaterally with foreign governments and in the production of working papers on various subjects of importance which have contributed significantly to the formulation of policies and approaches by the Government of India. The quality of papers produced by the Research & Analysis Division of the TDA has been appreciated by a number of other economists associated with the Government. This Division is now engaged in the task of bringing about a happy union between the academic and practical approaches to economic research into international trade.

Lack of adequate data-base for effective operation in international trade has been one of the biggest constraints on the export promotion activities of the country as a whole. Today, of course, the TDA has a fairly well-equipped International Trade Information Centre. Yet it is not adequate in terms of the necessity that exists in the country. Because of constraints of manpower and resources, it has necessarily had to keep a low profile. The time has however come when its activities must be strengthened so that the exporting community in India can be serviced with packaged information of the kind that they require for a successful venture into the export market. It is a matter of gratification for us, that the Government selected the TDA to carry out the preparatory work for formulating the concept of a National Trade Information Centre and to design the basic elements of its nature, composition, methods and operational characteristics. The TDA's recommendations and proposals in this regard are now under consideration of the Government. It is hoped that the idea of a National Trade Information Centre will be shortly accepted and that the country will be able to have, at its disposal, a modern and efficient Trade information service utilising the latest techniques of data processing.

As is only to be expected, the way is not going to be smooth or easy. We may devise the best promotional institutions, recruit the best executives, employ the latest data processing techniques, have the best research personnel, yet, so long as the economy itself does not take the necessary strides, our export efforts must necessarily suffer from tremendous constraints. However, in the light of the progress achieved, in the last one year, and since the implementation of the 20-Point Economic Programme began, the improvement in the tempo of our economy itself indicates that we may indeed be able to reap the full benefits from the opportunities that the world seems to be offering us. We still require considerable expansion in production, significant improvement in transport facilities, induction of better technology and techniques and a more purposeful marketing thrust. This is a task that has to be shared by the Government, the industry and institutions. I can only assure you that the TDA will not fail to play its part in this endeavour.

I do not wish to burden you at this meeting with the details of constraints of manpower and resources that we face in the TDA. We have given some indication of it in the Annual Report. Let me assure you that as the Chairman of the TDA, I shall pursue these matters and ensure that activity is always supported by appropriate logistics.

Let me take this opportunity also to record a word of thanks for our many clients and well-wishers whose constant support and cooperation have been great assets for us. They have often borne patiently with our difficulties and have excused our minor defects. Some of our old friends and clients left us during the year, but many more came into our society. Those who have left—we wish them well. Those who have joined us— we welcome them. We are a growing community of seriously minded people to have undertaken the task of exploiting our export opportunities to the full. In this endeavour cooperation, trust and mutual understanding are essential. We have always found this in large measure in our associates and friends. We thank them all.

I should also take this opportunity to thank all those who have taken pains to study our proposals with care and attention and have done their best to provide us with the necessary resources.

As we have said in our Annual Report, the future is indeed a bright one. The tide is there, all that we have to do is to take it at its flood and see that it works to our advantage.

Dunlop India Chairman Reviews the Company's Progress in Its Golden Jubilee Year

Present Difficulties Will Pass Tyre Industry Has A Good Future

The following is the text of the speech delivered by Mr. W.N. Scotts, Chairman, at the 50th Annual General Meeting of Dunlop India Limited, held on the 25th June, 1976, at Calcutta.

I have pleasure in welcoming you to the 50th Annual General Meeting of your Company. This marks the Golden Anniversary of Dunlop India Limited and it is an important milestone in the life of any Company. We were incorporated as an Indian Company on the 19th August, 1926 and the passage of time has seen your Company grow to be one of the larger industrial units in the Private Sector of the Indian economy.

As the Directors' Report and Accounts for the year ended 31st December, 1975 have been in your hands for some time, I would like, with your approval, to take these as read.

From Shortage to Surplus: A Year of Profound Change in the Tyre Industry

1975 was a year of profound change for the Industry with a transformation from a situation of shortage to one of surplus. A number of factors contributed to this—the overall improvement in the availability of energy in the second half of the year, better availability of raw materials and the achievement, by a new entrant, of full scale production—but the main factor was reduced market demand. The control of inflation and the withdrawal of unaccounted money eliminated the hoarding of tyres for speculative purposes, and restrictions on credit also contributed to a de-stocking operation and a consequent reduction in current demand.

In the year under review, the Industry produced a total of 5.5 million automotive tyres, which was only marginally higher than the 1974 figure, but by year end manufacturers were holding large stocks of finished goods and there was pressure on their liquidity. The Industry is derived from and dependent upon the demand for transport, both public and private, and the demand for transport is dependent on the general level of the economy. At a generally reduced level of economic activity, the Railways, operating with greater efficiency, were able to carry a higher percentage of the total tonnage required to be moved, thus reducing the demand for road transport. All this happened at a time when the Transport industry was incurring unprecedented cost increases arising directly and indirectly from oil price escalation.

In 1975 the Tyre industry was also adversely affected by reduced production levels of cars and other light vehicles.

14% Rise in Sales

The total income of your Company reached Rs 167.44 crores, representing an increase over 1974 of 14% almost all of which was due to higher selling prices.

In the Automotive Tyre market there was a considerable change in the pattern of demand and we sold reduced quantities of car and light truck tyres. There was, however, continuing demand for heavy truck, tractor, motorcycle and scooter tyres, as well as tyres for animal drawn vehicles.

The demand for our range of Industrial Products was satisfactory and for Rubber and PVC Conveyor Belting and Fan and Vee Belts, the production capacity/licensed capacity was the limiting factor. In the case of both Rubber and PVC Conveyor Belting, the country had to augment local production by imports at considerable expenditure of foreign exchange. We have submitted proposals for increasing our production of these products to Government and we hope these will receive a favourable and quick response and will enable us to assist in reducing the necessity for further imports.

In last year's Report I commented on the reduced demand for Dunlopillo and attributed this partly to the high level of excise duty and partly to the sluggishness in consumer markets reflecting the general level of the economy. Demand fell even further in 1975 and we decided to phase out our production.

We also ceased production of cycle rims at Ambattur and concentrated production at the Sahaganj factory. There was a reduced domestic demand for rims and higher overseas freight costs have reduced the export opportunities for this light but bulky product.

Record Exports of Rs. 7 Crores Despite Keen Competition

International price competition in export markets was very keen in 1975 and this was particularly true of the automotive tyre market which right around the world, has been depressed by the same factors that affected India. There was a down turn in some sectors of our export markets, but we achieved increased sales of heavy truck tyres and the total value of automotive tyre sales rose by more than 11%. In achieving this record result we were considerably assisted by the international recognition and reputation of our brand name and the support of the Dunlop Group's international organisation.

As well as promoting the sale of our own manufactured products, we were able to increase substantially the export sales of products from the small and medium scale sectors. Apart from finding overseas markets, we have also been able to provide design and technical help to some of the smaller units so that their products might find more ready acceptance abroad. During the year we were able to increase the number of countries to which we export by three, to a new record total of 95.

Overall, we reached a record export turnover of just over Rs 7 crores, an increase of 32% in a difficult year.

Government has asked that we accept a very much higher target for 1976 and we will make every effort to meet this challenge and assist the country's foreign exchange earnings. At the same time, Government has arranged for access to imported raw materials needed for export production, the provision of natural rubber at international prices and a limited degree of financial incentive to help offset the very real disabilities, i.e. higher shipping and raw material costs, that we experience by comparison with our international competitors. These measures are appreciated by the Industry, but it is important that continuity be given to such arrangements to enable Indian exporters to commit themselves to export quotations on a longer term basis than has been possible in the past. This is critical if our export effort is to be sustained in the face of growing international competition.

CAPEXIL Award for Outstanding Export Performance

In recognition of our export achievements, we were honoured to receive a number of export awards in 1975.

These included Certificates of Merit from the Ministry of Commerce, Government of India, for the best exporter of Bicycle Rims 1972-73, Rubber Tyres and Tubes 1973-74 and a Certificate of Export Recognition from Capexil in regard to Automotive Tyres and Tubes, Cycle Tyres and Tubes and Rubber Belting 1973-74.

We were especially honoured to receive the Capexil Special Award for outstanding export performance and promotional activities 1974-75.

Power

During 1975 we again faced the problems associated with an insufficient supply of electrical energy.

At our Ambattur factory near Madras, we were subject to a 60% power cut imposed in early January and the position deteriorated even further until late in June when full power was restored.

In these circumstances, it was inevitable that we suffered a loss of production.

At our Sahaganj factory in West Bengal, we worked under power rationing and were able to operate only 16 shifts per week instead of our normal 18. We were also subject to a reduction in maximum demand but, fortunately, this has now been lifted in respect of night shifts.

Despite these restraints, we were able to increase output at Sahaganj to offset the decrease at Ambattur. Overall we produced slightly fewer automotive tyres than in 1974 and again gave priority to those products where the national need was greatest.

The availability of critical raw materials was very much easier than in the recent past and we experienced very few difficulties in this regard. We appreciate the assistance given by our suppliers who, faced with their own problems, were able to maintain supplies to us.

Comment was made in our last Report that we were seeking to instal some generating capacity and by mid year 1976 we expect to be able to provide 35% of our Ambattur power requirements and 20% at Sahaganj. In the event of future restrictions on the supply of electrical energy, we will be able to reduce the impact of such measures.

Worker-Management Co-operation to Implement 20-Point Programme

Throughout the year we experienced satisfactory industrial relations and it is pleasing to report that there is evidence of a renewed spirit of co-operation in the joint efforts of both workers and management to improve productivity.

It has long been our policy to involve workers' representatives in consultation, and out aim is for participation and co-operation to foster more responsible attitudes by all concerned and to avoid confrontation either by management or workers which can lead only to damage to all.

I would like to pay tribute to all of our people who worked so hard to overcome the disabilities of the power supply situation and difficulties in other sectors. I am confident that a continuation of this same spirit will enable us to improve further our contribution to the economy and to implement truly the spirit of the Prime Minister's 20-point programme.

One factor, however, continues to be a problem and that is absenteeism which is often a restraint on production. The provision of sufficient additional labour to offset serious absenteeism can only lead to over-manning and this has serious implications in today's competitive situation. This danger is sometimes insufficiently appreciated by those whom it may ultimately affect.

Improved Profits Through More Efficient Utilisation of Resources

A slightly higher overall volume of production, changes in product sales mix, the full year impact of revisions to selling prices made in 1974, and our continuing drive for economies in manufacturing cost and more efficient utilisation of our manufacturing resources have led to improved profitability.

The emergence of a competitive market situation has resulted in our having to carry a substantially higher finished goods inventory and a much greater level of customer outstandings than in the past. This has resulted in very much higher borrowings for working capital and a consequent increase in interest costs which rose by more than 50% over the previous year. This situation seems likely to continue into the foreseeable future and an urgent re-examination of the inventory norms set by the Tandon Committee for the Industry is called for.

Costs of distribution and of selling and administration were contained at the same percentage of turnover as in the previous year.

The raw material cost escalation of 1974 continued into early 1975 and some selling price adjustments were necessary during the first half of the year.

Technical Collaboration with State Industrial Development Corporations

The Technical Collaboration Agreements signed between the Industrial Development Corporations of West Bengal and Andhra Pradesh and Dunlop Limited, U.K. have now been taken on record by the Government of India and the two State Corporations are taking steps to implement these projects.

During 1975 your Company signed a Technical Consultancy Agreement with WEBSTAR, the Company incorporated to implement the West Bengal project, and a similar Agreement with Andhra Pradesh is under negotiation. Under these Agreements, Dunlop India Limited will provide Technical/Engineering services to enable the new factories to be erected and commissioned on the basis of the know-how provided in the U.K. in the terms of the Collaboration Agreement.

Modernisation of Sahaganj Factory Reaffirms our Faith in West Bengal

Our Sahaganj factory in West Bengal was the first Automotive Tyre plant to be established in India and we commenced production in 1936. Over the past 40 years, the factory has grown in size and complexity and in 1975 we set ourselves the task of reviewing its layout and its equipment to determine what was needed to ensure its continuance as a viable unit. As a result, we have put in hand a phased modernisation programme which will include replacement of existing steam boilers (which will still be coal fired), the installation of the most modern tyre curing equipment and the up-dating of ancillary equipment. This machinery will be made almost entirely in India. At the same time, we are reviewing the implications for our existing Industrial Licences and those Letters of Intent already held by us.

This programme of revitalisation must enable us to improve the productivity at Sahaganj without which the expenditure would be uneconomic.

Many industrial units have become uneconomic in the past and although a number of factors may have contributed to this position, it is likely that a major cause has been an inability or unwillingness to re-invest, and thus maintain or improve productivity and up-date the product range to suit the changing needs of the market.

There are many financial incentives available for the establishment of new factories in backward areas and this is a commendable policy. At the same time, it is my contention that equal incentives should be available to those organisations willing to substantially re-invest in existing units, particularly those already established in backward areas.

With our modernisation programme at Sahaganj, we are reaffirming our faith in the future of West Bengal as a major industrial area and we look forward to receiving the co-operation of those bodies that subscribe to our outlook.

Dunlop Plans to Set Up India's First Aero-Tyre Retreading Plant

We have for some years made a wide range of aeroplane tyres at Sahaganj and these meet virtually the whole requirements of our international and domestic airlines, as well as those of our defence aircraft. It has hitherto been necessary to send these tyres outside India for retreading, but we now propose to set up modern aero tyre retreading facilities at Sahaganj. This will result in significant savings in foreign exchange.

Need to Keep Pace with International Technological Development

So far as current production is concerned, we are making no remittances whatsoever in respect of overseas technical aid, even for our most sophisticated products. Despite our desire to remain as self-sufficient as possible, there is a continuing need to keep pace with international technological development, and it is our hope that the Government of India will permit us to make proper and necessary payments for the transfer of new technology beyond the level that exists in our Industry in India today.

Research & Development at Dunlop

The integrated R & D unit at our Sahaganj factory continues to work on the evaluation and development of new materials and the evolution of new designs and new methods of manufacture to provide the products for the changing requirements of our markets at minimum cost to the consumer.

The Discharge of our Social Responsibilities

The need for an awareness of social responsibility is a matter attracting considerable comment at the present time, and I think it proper that I should review the situation as I see it in Dunlop India Limited.

I consider that the prime pre-requisite to enable us to meet our social responsibility is the ability to make a sufficient margin of profit from our operations which, in turn, enables us to meet the reasonable expectations of customers, employees and shareholders, as well as those of the other important stockholder in our business, the society in which we live.

Maintaining Business in a Viable Condition: Our First Social Responsibility

I thus see our first social responsibility as maintaining our business in viable condition and a commitment to this concept can be seen in our re-investment programme at Sahaganj. We then need to balance the costs of meeting the expectations of our various stakeholders because too great an emphasis on any one sector could result in detriment to others.

We try to be a contributory member of the society in which we live and we express this in many ways.

We give assistance to many organisations concerned with the care and uplift of the less privileged sectors of our society and particularly those working for the rehabilitation of bustee areas. Similarly, we support education for the disabled, organisations concerned with management education for young people and a wide range of recreational and cultural activities.

Dunlop Serves

As a company concerned with the Road Transport industry, wee feel that we have a special responsibility to promote safer habits for road users and, in that regard, we collaborate with the Police in the promotion of road safety education.

Generation of Employment Through Swadeshi

We have aided the generation of employment opportunities in related industries by the impetus we have provided for the indigenous development of the materials used by the rubber industry, and the assistance we have given in the design and construction of locally made rubber and tyre making equipment has made a substantial contribution to self-sufficiency in this field. We were a pioneer in the introduction of proper grading for indigenous natural rubber and continue to give support for the further development of this important raw material.

At our major factory at Sahaganj, Hooghly District, we house many of our workers and their families within the Dunlop community there, operate schools in Hindi, Bengali and English mediums and provide the facilities for co-operative stores and a wide range of recreational and cultural activities.

Remarkable Progress of Family Planning at Sahaganj

A particular feature of our Sahaganj community is a fully equipped and competently staffed hospital, which not only provides medical and surgical care for our own Dunlop family but also, through our out-patient clinics, provides medical care for a total of about 30,000 people. Ante and post-natal services and family planning are intergal parts of our health services and the average family size within our community is now about half of what it was 14 years ago. Research is also undertaken into the incidence and prevention of industrial accidents and into industrial health, and the benefits of this research are made available to others.

We started manufacturing in India some 40 yeas ago when we employed about 1500 people. Today we employ nearly 12,000 in our factories, offices and godowns, providing good opportunities for their training and development. Additionally, many more thousands derive their living from the goods and services they provide to us.

Responsibly managed large companies provide a source of strength in the economy of the country and many of them make a substantial contribution to the well-being and progress of society as a whole. Your own Company, a unit of a large international organisation, is fully aware of its social responsibility: it has tried to live up to these ideals in the past and will continue to do so in the future.

The Present Difficulties Will Pass: Tyre Industry Has A Good Future.

There has been considerable speculation abut the future prospects for the existing units within the Industry and the likely impact of the new factories that are expected to come into production in the next 12 months. Additionally, there are other Letters of intent which have yet to be converted into Industrial Licences and it seems likely that some of these may be implemented over a longer period than originally envisaged.

1976 opened with a large stock of unsold tyres all around the country and with many tyre factories working at below maximum capacity. Whilst industry in general, and the public sector in particular, have responded to the call for increased output, the missing factor has been demand.

Demand management has rightly and effectivey been used as a measure to combat a distructive inflaction rate, but the time had come when the continuation of these policies would have resulted in under-utilisation of resource and stagnation in the economy. Recovery in demand should now be assisted by the growth-oriented Budget with its large increase in plan outlay and its encouragement for savings and fresh investment.

The manufacturers of cars and jeeps and the road transport industry in general were experiencing recessionary conditions.

The reduction in excise on cars and jeeps, together with the abolition of excise on tyres, tubes and batteries that are originally fitted, will provide a measure of relief for that sector.

The increase in rail freight rates to more economic levels will marginally assist the competitiveness of the road transport industry which seeks to regain the volume of freight it held in the recent past.

The stimulus of both of these measures would, however. be more than offset if the provision in the Budget to increase excise rates for fuel for both cars and trucks was, in fact, implemented.

Real stimulation for both vehicle manufacturers and the road transport industry will come mainly from the projected uplift in the general economy and the tyre industry will depend upon the same factors.

The maximum utilisation of existing investment and of re-investment in this sector will assist in meeting future demand, as will the two new units now coming up, and should ensure a comfortable supply position in the next two or three years. By the end of this decade, however there will be a need for more capacity than that presently installed or under construction and because of the lead time involved, it would seem that fresh investment decisions will need to be made even although present prospects look less attractive than in the recent past.

The present difficulties will pass and, longer term, the Industry has a good future.

Quality Products and Sound Trading Policies: Our Strength in 1976

With the current level of demand still below present capacity, a strongly competitive situation has developed.

We have intensified our export efforts and are presently achieving higher sales of automotive tyres than in the same period last year. In February 1976 we rationalised the selling prices of some of our tyre range giving the maximum consideration to vehicle manufacturers and to the State Transport sector. Whilst some raw materials have recently showed easier trends, the costs of many other inputs continue to rise and selling prices will be kept under review.

We expect a competitive situation to prevail during the whole of 1976 but that demand will pick up as the general level of the economy reacts to the stimulus of the Budget.

Our wide range of good quality products and our sound trading policies will continue to be a source of strength in 1976.

Note : This does not purport to be a record of the proceedings of the Annual General Meeting.

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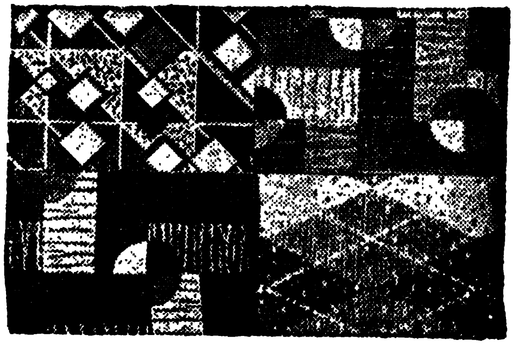

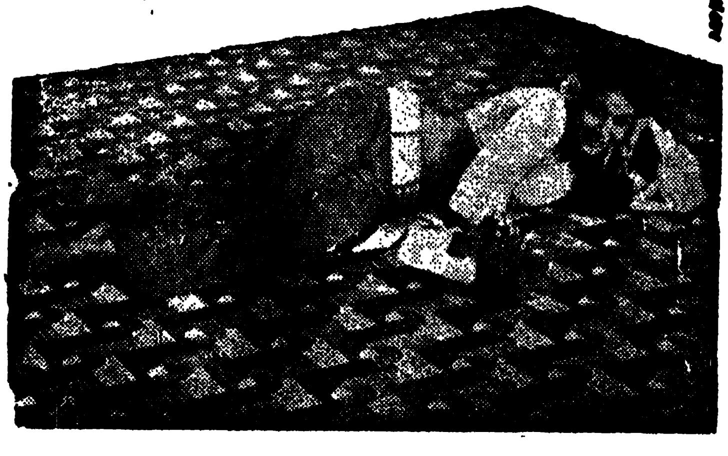

South India Viscose Ltd.

Shri R. Venkataswamy Naidu's Review

Speech of the Chairman, Sri. R. Venkataswamy Naidu, delivered at the 18th Annual General Meeting of the Share-holders held on Monday, the 28th June 1976 at 3.00 P.M. at the Regd. Office of the Company, 'Shanmuga Manram', Race Course, Coimbatore-641 018.

Ladies & Gentlemen,

It gives me a great pleasure to welcome you to the 18th Annual General Meeting of the Company.

It is with profound regret I must recall the sudden and sad demise of our beloved Kamaraj. He was a friend, philosopher and guide for the entire country and more so for the Tamil Nadu. It is a be-fitting tribute that the Government of India had thought it fit to confer on him the highest award of our land 'Bharat Ratna' posthumously. Your Company has very pleasant memories of the long Association, active help and co-operation rendered by the late Kamaraj during his stewardship as the Chief Minister of Madras. I propose a condolence resolution be passed and communicated to the bereaved family.

Shri R. Venkataswamy Naidu

The year under review started under very difficult and trial period for our country. The international oil crisis and unprecedented inflationary tendencies have thwarted the progress of the developing and under-developed countries. Even the highly well developed countries were struggling very hard to keep down the inflationary tendencies. The general economic conditions in the country affected very much the Industry and Trade, and as a result, the plight of the common man became very miserable.

It was at this juncture, the declaration of Emergency in our country gave a new direction to contain and reverse the inflation and also a big boost to the Indian Economy.

At the time, the Emergency was declared, there were criticisms from and apprehensions in the minds of quite a number of people in the country and abroad, *because* of the measures taken for effective enforcement of discipline in the Country; but, when the encouraging and fruitful results were forthcoming, there has been jubilance amongst our countrymen. Even those countries which were criticising the declaration of emergency, have started praising the dynamic approach to the problems by our beloved Prime Minister, especially with regard to the 'Twenty Point Programme' initiated by her and being followed throughout the Country. Appreciations from the United Nations and the encomiums paid recently by the Prime Minister of Australia are quite a few to cite as examples to show how well our Country has been steering itself in the right direction ever since the declaration of the emergency.

The progress in the sphere of agriculture and industry is indeed remarkable. We can say with pride and satisfaction that the Indian Economy has been set securely on the path of stability and growth. The Indian Currency has also come up to creditable level.

I am sure all of you will join me in congratulating our Finance Minister for having drawn up a budget different in many respects from the previous ones. The budget proposals are bold, imaginative, growth oriented and rural biased. The budget has taken into consideration, all sections of the people in the country, laying more emphasis on the need to protect the interests of the common man and at the same time providing incentives to Private Sector to accelerate the growth of the industries.

Having contained inflation, it is worthwhile the Government considers granting more relief by way of reduction in excise duty, sales tax, octroi, lesser bank interest rates etc., which would go a long way in cutting down the cost of industrial production and at the same time ensure availability of goods for internal consumption at reduced prices. This will in effect contribute to export to a large extent, thereby getting valuable foreign exchange to the Nation.

Review of the Working of the Company:

Now, I would like to invite your attention to the affairs of our Company, though you would have gone through the report of the Board of Directors.

Unfortunately, during the year under review, there was a downward trend in the production of Rayon Yarn to the extent of 16%, Staple fibre to the extent of 63% and Wood Pulp to the extent of 19%, compared to last year. This could mainly be attributed to the prolonged power cut extending to several months and the strike resorted to by the workers, which is regrettable. I am, however, happy indeed to record that normal relationship with the workers has since been restored and further there has not been any power cut so far and so it is my hope that subject to present conditions continuing to prevail, there is every possibility of greater production.

During the end of the year under review, the prices of Staple Fibre and Rayon came down heavily and movement of goods even at such reduced prices was very slow. Special discounts had to be given to our dealers for the movement of stocks. Because of increased costs and lesser sales realisation, the profitability was very much affected. Considering the various difficulties and adverse conditions with which we had to go through during the year, the Company's working results should be considered satisfactory.

You will be pleased to hear that our products are entering the Export market. To start with we are making arrangements for the export of Rayon yarn to Italy.

Bonus Shares were allotted to all the members of the Company and respective Share Certificates were despatched within the record time set by the Controller of Capital Issues.

Expansion:

Your Company has been making effective strides with regard to the expansion projects. It may be of interest to you to know that an Industrial Licence for the manufacture of 20 tons per day of Polynosic Fibre has been received from the Government of India. For expansion, it is our earnest desire to restrict borrowings and to depend mostly on our own internal resources and generation of funds.

The doubling of the capacity of Pulp Plant from 60 tons to 120 tons per day has been going on in full swing. It has been decided to expand the capacity in two stages (from 60 tons per day to 90 tons per day and from 90 tons to 120 tons per day). The first stage of increasing the capacity of the Pulp Plant (90 tons per dey) is expected to be completed by the end of this year. By the end of next year or in the beginning of 1978, the expansion of the Pulp Plant is expected to be completed. Most of the items are to be procured indigenously and orders have already been placed for many of the items. The technicians from Italy, deputed by our Collaborators and M/s. Dastur & Co., our Consulting Engineers, have already started working on the project and are doing their best to keep to the schedule.

I am glad to inform you that your Company will be participating in setting up of an industrial Unit in Malaysia for the manufacture of Wood Pulp suitable for Rayon and Paper. This is a joint venture with our Collaborators and local promoters in Malaysia. You will be happy to know that 'Pioneer Status' has been awarded to our local promoters by the Malaysian Government. Negotiations are still in progress.

Supply of Pulp Wood—Raw Material:

The position of our raw material continues to be satisfactory. We have made adequate arrangements with the Tamil Nadu Government for allotment of areas both at Nilgiris and Kodai hills. Further, to meet the increased needs, because of our expansion projects, various tests have been conducted to find out the suitablity of other species, like Grandis and Hybrid both in our factory and in the pilot plants of our Collaborators, M/s. Snia Viscosa, and the results of these tests have been quite encouraging.

Despite our various requests, the Government of Tamil Nadu are demanding a steep upward revision on the existing lease rates for allotment of forest areas and I hope that the Government will give sympathetic consideration to the lease rates.

Labour Relations:

After the unfortunate strike during the year, the relationship with the labour continues to be cordial. For the benefit of our employees, the Company is advancing loans under 'Own your Home' Housing Scheme. The Group Insurance Scheme with the L.I.C. continues to be in force for the benefit of all the employees and their dependants.

Conclusion:

In general, the performance of the Company for the year under review is satisfactory as could be seen from the report of the Board of Directors and the Balance Sheet. Before I conclude I would like to thank our Collaborators, Bankers, Contractors and Employees of the Company at all levels, who have been giving their best for the progress of the Company in all respects.

Note: *This does not purport to be a record of the proceedings of the Annual General Meeting.*

THE ECONOMIST
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INTERNATIONAL TOURISM
DEVELOPMENT
Forecasts to 1985

Everyone involved in International Tourism, the largest single item in World Trade—operators, carriers, hotel groups and national tourism organisations will derive great value from the detailed and specific forecasts of expenditure on international tourism by tourist origin countries provided for 1980 and 1985.

Trends in all major origin countries and areas are examined in detail for the next ten years, with travel from some of today's most important origin countries growing less rapidly than in recent years, while other new areas will emerge as major origins.

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RECORDS AND STATISTICS

Joint ventures abroad

EVEN THOUGH our country started establishing joint ventures abroad only a few years ago, as many as 239 proposals had already been sanctioned by the government of India till the end of last year. No less than 67 were already in production while 68 were under various stages of active implementation. The fields in which these joint ventures had been implemented by Indian companies included several items ranging from textiles, leather, PVC leather cloth, flour, glass bottles, vegetable oil, pharmaceuticals and PVC items to diesel engines, pumps, paper, light engineering goods, tubewells, commercial vehicles, razor blades, automobile ancillaries and hacksaw blades. The list of joint venture projects abroad which are at various stages of completion and production is given below:

Indian Industrial Joint Ventures Abroad

(As on March 31, 1976)

Sl. No.	Field of Collaboration	Indian Collaborator	Date of Sanction	Remarks
		Afghanistan		
1.	Corrugated boxes & other packing materials	M/s. Everest Packaging Corpn., 25, Mahal Industrial Estate, Mahakali, Bombay.	21-5-74	In production
2.	Leather Tannery	M/s. T. Abdul Wahid & Co., 19. Vepery-High Road, Periamet, Madras.	15-9-72	Under implementation
3.	Corrugated board and carton	M/s. Box Well India Pvt. Ltd., Box House, 54-A, Andheri-Kurla Road, Andheri (East) Bombay-400093.	30-12-75	Under implementation
		Canada		
1.	Hardboard	M/s. Anil Hardboard Ltd., P.B. No. 110056, Laxmi Insurance Building, Sir P.M. Road, Bombay.	23-7-65	Started production in July, 1967. Since, Indian party disinvested their equity.
2.	Indian Rum	M/s. Baumgadton and Wallia Pvt. Ltd., 2E, Valoom Insurance Building, Veer Nariman Road, Bombay-400 020.	26-12-75	Under implementation
3.	Reprocessing & marketing shrimp	M/s. Southern Sea Food Ltd., Monticth Court, Monteith Road, Madras-600008.	15-3-76	Under implementation
		Dubai		
1.	Cylinders	Mr R.M. Gokuldas, 53/57, Laxmi Insurance Building Sir P.M. Road, Fort, Bombay.	21-4-74	Under implementation
2.	Fabricating architectural equipments	M/s. Ajit India (P) Ltd. 408, Himalaya House, Potton Road, Bombay.	12-12-74	Under implementation
3.	Sulphuric acid	M/s. Phoenix Distributors (P) Ltd. 53/57, Laxmi Insurance Building, Sir P.M. Road, Fort, Bombay.	28-12-74	Under implementation
4.	CausticSoda/Chlorine plant	M/s. The Ballarpur Paper & Straw Board Mill, Thapar House, 124, Janapath, New Delhi.	15-7-75	Under implementation
5.	Consultancy Services	Mr C.P. Kukreja, K-13 Hauz Khas Enclave, New Delhi-110016.	16-2-76	Under implementation
		Ethiopia		
1.	Textile	M/s. Birla Bros, 9/1, R.N. Mukherjee Road, Calcutta.	29-5-56	Started production in 1960

—*Contd.*

Sl. N.	Field of Collaboration	Indian Collaborator	Date of Sanction	Remarks
		Fiji		
1.	Flour Mill	M/s. Wallace Flour Mills, 99, Churchgate Reclamation, Bombay.	12-5-71	In production
2.	Glass Bottles	M/s. Mohan Meakin Breweries, Mohan Nagar, Ghaziabad.	17-3-75	Under implementation
		Philippines		
1.	Diesel Engines	M/s. Kirloskar Oil Engines, Elphinstone Road, Poona-3.	16-1-70	In production
2.	Direct coconut processing plant	M/s. Chemical Construction Co., 29, Ring Road, Lajpat Nagar IV, New Delhi.	24-2-74	Under implementation
3.	Spinning Mill	M/s. Eastern Spg. Mills Ltd., Vill. Piragacha, P.O. Kadamgachhi, Distt. 24, Perganas. West Bengal.	28-1-75	Under implementation
4.	Copra crushing and extraction	M/s. Tungbhadra Industries Ltd., Industry Hous , High Way,Chakla, Andheri (East) Bombay.	1-9-75	Under implementation
		Hong Kong		
1.	Engineering Consultancy	M/s. Development Consultants Pvt. Ltd., 24-B, Park Street, Calcutta.	19-10-74	In production
2.	Stationery Items	M/s. Kores (I) Limited. P.B. No. 6558, Plot No. 10, Dr. Moses Road, Worli, Bombay.	10-9-73	Under implementation
		Indonesia		
1.	Textiles	M/s. Century Spg. & Mfg. Co. Ltd., Industry House, 199, Churchgate Reclamation, Bombay.	10-5-73	In production
2.	Engineering Steel Files	M/s. Raymond Woollen Mills, J.K. Building, Morarjee Marg, Ballard Estate, Bombay.	19-6-74	In production
3.	Spinning Plant	M/s. Bharat Commerce & Industry Ltd., Surya Kiran, 5th Floor, 19, Kasturba Gandhi Marg, New Delhi.	1-7-74	In production
4.	High tensile reinforcement	M/s. ASC Engineers & Consultants, C/o M/s. Andhra Steel Ltd., 2, Brabourne Road, Calcutta.	13-9-74	Under implementation
5.	Cold rolled box strappings	M/s. Southern Steel Ltd. 2, Brabourne Road, Calcutta.	12-9-74	Under implementation
6.	Water meters	M/s. Mahindra & Mahindra, Gateway Building, Apollo Bunder, Bombay.	3-1-73	Under implementation
7.	Textiles	M/s. Karamchand Premchand (P) Ltd., P.B. No. 28, Shahibag House, Shahibag, Ahmedabad-3.	11-10-73	-do-
8.	Oilseeds solvent extraction	M/s. Kusum Products Ltd., Bombay Mutual Building, 9, Brabourne Road, Calcutta.	29-3-75	-do-
9.	Coated Art Paper	M/s. Ballarpur Paper & Straw Board Mills Ltd., Thapar House, 124, Janpath, New Delhi.	27-8-75	-do-
10.	Steel furniture	M/s. Godrej & Mfg. Co., Godrej Bhawan, Home Street, Fort, G.P.O.P.B. No. 10123, Bombay.	4-2-76	Under implementation

—Contd.

Sl. No.	Field of Collaboration	Indian Collaborator	Date of Sanction	Remarks
11.	Malleable iron pipes	M/s. Vishal Malleables Pvt. Ltd., 8, Kailash Society, Ashram Road, Ahmedabad.	10-10-75	Under implementation
		Iran		
1.	Spare parts/automotive components	M/s. Mahindra & Mahindra, Gateway Building, Apollo Bunder, Bombay.	5-11-66	Started production in July, 1969
2.	Construction of various projects	M/s. Shah Construction Co. Ltd., Shah House, Dr. Annie Besant Road, Worli, Bombay.	25-8-75	In production
3.	Shock Absorbers	M/s. Gabrial India Limited, S-304, Agra Road, Mulund, Bombay.	13-9-74	Under implementation
4.	Steel Bright Bars	M/s. Chase Bright Steel Ltd., Meher Chambers, Nicol Road, Ballard Estate, P.B. No. 1704, Bombay.	15-9-75	Approved in principle
5.	Automotive Shock Absorbers	M/s. Escorts Limited, Engineering Division, 18/4 Mathura Road, Faridabad.	2-2-76	Under implementation
		Ireland		
1.	Tufted Carpet Yarn	M/s. Mafatlal Industries Ltd., Mafatlal House, Backbay Reclamation, Apollo Bunder, Bombay.	15-10-68	Started production in September, 1970
		Iraq		
1.	Civil Construction Jobs	M/s. National Building Corpn. Limited, New Delhi.	26-12-75	Under implementation
		Kenya		
1.	Textiles	Mr R.M. Goculdas, 53/57, Lakshmi Insurance Bldg., Sir P.M. Road, Bombay,	26-9-54	Started production in October, 1965.
2.	Gripe Water	M/s. K.T. Dongre & Company, 82, N. Medows Street, Bombay-1.	16-2-66	Started production in October, 1967.
3.	Woollen Textiles	M/s. Raymond Woollen Mills, J.K. Building, Dougal Road, Ballard Estate, Bombay.	25-3-66	Started production in January 1969.
4.	Cork Factory	M/s. Indian Cork Mills, Saki Vihar Road, Powai Bombay.	7-1-67	Started production in March, 1967.
5.	Paper and Pulp project	M/s. Orient Paper Mills, 9/1, R.N. Mukerjee Road, Calcutta.	14-6-73	In production
6.	Cast iron foundry	M/s. Salvi Super Structures, Dr. Rajindra Prasad Road, Mulund, Bombay.	4-5-72	-do-
7.	Pharmaceuticals	M/s. Sarabhai Chemical (P) Ltd., P.B. No. 28, Shahi Bag House, Ahmedabad.	16-4-73	-do-
8.	Synthetic filament yarn	M/s. J.K. Synthetics, J.K. Nagar, Kota (Rajasthan).	9-5-74	Under implementation
9.	Pipe fittings	M/s. Sohinder Singh Bros., 110, Jullundur City.	3-3-76	-do-

—Contd.

Sl. No.	Field of Collaboration	Indian Collaborator	Date of Sanction	Remarks
		Mauritius		
1.	Mosaic tiles, rolling shutters	M/s. Siddhartha Jesubhai Lalbhai Near Bazirats Pole, Sankadi Sha, Raipur, Ahmedabad.	14-2-69	Started production in July, 1969.
2.	Textiles	M/s. Orkay Group, Kurla-Andheri Road, Sahu Naka, Bombay.	9-2-71	Started production in 1972.
3.	Readymade garments	M/s. Raymond Woollen Mills, J.K. Bldg., Narottam Morarjee Marg, Ballard Estate, Bombay-35.	19-1-72	In production
4.	Terry towel manufacturing unit	M/s. Karamchand Premchand Ltd., P.B. No 28, Shahibag House, Shahibag, Ahmedabad.	12-3-74	In production
5.	Steel rolling mill	M/s. Infin Consultants Ltd., Maher Bhawan, No. 2, 5th Floor, New Marine Lines, Bombay.	17-10-74	In prodction
6.	Hotel project	M/s. United Agencies Pvt. Ltd., Udyog Bhawan, Walchand Hirachand Marg, Ballard Estate, Bombay.	21-3-71	Final approval issued on 21-1-72. Under implementation.
7.	Cement plant	W/s. K.C.P. Limited, P.B. No. 2278, Tiruvottiyuri, Madras.	21-7-71	Final approval issued on 3-1-73 Uunder implementation.
8.	PVC insulated household cables, wires etc.	M/s. Delton Cable Industries Pvt. Ltd., Delton House, Bharat Ram Road, 24, Darya Ganj, Delhi.	29-4-75	Under implementation
9.	Power driven pumps	M/s. Kirloskar Bros. Ltd., Udyog Bhawan, Tilak Road, Poona-411002.	18-10-75	Under implementation
10.	Five star hotel	M/s. Concord International Pvt. Ltd., 5, Golf Links, New Delhi-110003.	18-12-75	Under implementation
		Malaysia		
1.	Cotton Textiles	M/s. Birla Bros., Birla Lines, Sabzi Mandi, Delhi.	9-10-64	Started production in May, 1971
2.	Steel furnitures	M/s. Godrej & Boyce, 4-A, Home Street, Fort, Bombay.	30-8-65	Started production in May, 1968
3.	Glass Bottles	M/s. J.G. Glass Industries (P) Ltd., Cooperative Inc. Building, Sir P. Milto Road, Poona.	March 1968	In production since 26-11-73
4.	Confectionery	M/s. Parrys Confectionery, Parry House, Second Line Beach, Parry's Corner, Madras.	18-3-69	Started production on 1-1-1971.
5.	Electric motor pumps, (Diesel)	M/s. Kirloskar Electric Co., P.B. No. 1017, Malleswaram, Bangalore-3.	9-6-69	Started production in 1972.
6.	Precision tools & gauge Mfg. unit	M/s. Gupta Machine Tools (P) Ltd., 50-B, Garihat Road, Calcutta.	22-7-69	Started production on 1-1-1971.
7.	Enamelled copper wire & electric accessories	M/s. Ajit Industries, G.P.O. Box No. 1558, Bombay.	7-11-69	Started production on 3-12-71.
8.	Steel Foundry	M/s. Mukund Iron & Steel works Ltd., Bankers, Kurla Andheri Road, Bombay-70.	21-1-71	In production since March 1973.
9.	Time & automobile chains	M/s. L.G. Balakrishnan & Bros., P.B. No. 1303, India House, Coimbatore-IV.	9-2-71	Startea production in April, 1972.

—Contd.

Sl. No.	Field of Collaboration	Indian Collaborator	Date of Sanction	Remarks
10.	Cycle & industrial chains	M/s. Murugappa & Sons, Tiam House, 11-12, North Beach Road, Madras.	20-2-71	Started production on 30-1-1972.
11.	Palm Oil fractioning plant	M/s. Berar Oil Industries, Industry House, 159, Churchgate Reclamation, Bombay-70.	28-7-71	In production.
12.	Hydrogenation of Oil	M/s. Chemical Construction Co., 29, Ring Road, Lajpat Nagar IV, New Delhi.	18-1-72	In production.
13.	Stationery items	M/s. Camlin (P) Ltd., Bombay Kurla-Andheri Road, Bombay. (J.B. Nagar).	21-5-73	In production.
14.	Cosmetics and pharmaceuticals	M/s. C.I.P.L.A., 289, Bellasis Road, Byculla, Bombay-70.	28-9-73	In production since 1973.
15.	Safety glass	M/s. Hindustan Safety Glass, 1st, George Gate, Hasting Road, Calcutta.	21-1-71	In production.
16.	Vanaspati, soap etc.	M/s. Tata Oil Mills Ltd., Bombay House, 24, Bruce Street, Fort, Bombay.	11-3-71	In production.
17.	Piston components	M/s. Indian Pistons Ltd., Huzur Gardens, Sembiam, Madras.	12-5-71	In production.
18.	Sugar factory	M/s. Phalton Sugar Works Ltd., 199, Churchgate Reclamation, Bombay.	25-2-72	In production since 12-2-73.
19.	Tube valves	M/s. Vinod Sanghi, C/o Sah & Sanghi, Prakash Mills, Compound, Globe Mills Passage, Bombay.	28-12-72	In production.
20.	Textiles	M/s. Lakshmi Textile Exporters, 341, Avanashi Road, Coimbatore.	11-1-73	In production.
21.	Flux cord solid solder wire etc.	M/s. Saru Smelting (P) Ltd., Sarunagar, Sardhana Road, Merrut, UP.	13-3-74	In production.
22.	Graphic Anodising	M/s. Excel Process Pvt. Ltd., 117/118, Andheri-Kurla Road, Chakla, Andheri (East), Bombay.	11-4-75	In production.
23.	Industrial & Management Consultancy	Oriole Service & Consultants Pvt. Ltd., 4, Kurla Industrial Estate, Ghatkapar, Bombay.	30-4-75	In production.
24.	Biscuit factory	M/s. Sundarajan & Co., Indian Chamber Bldg., 1st Floor, P.B. No. 1558, Esplanade, Madras.	8-3-72	Approved in principle.
25.	Pharmaceutical plant	M/s. Sarabhai 'M' Chemicals, P.B. No. 80, Baroda.	23-9-74	Approved in principle.
26.	Sandalwood Soap	M/s. Mysore Govt. Soap Factory, P.B. No. 1031, Bangalore.	28-1-72	Under implementation.
27.	Fatty acid, Glycerine	M/s. Chemical Construction Co., 29, Ring Road, Lajpat Nagar IV, New Delhi.	30-8-72	Under implementation.
28.	Metallic flexible tubes and hoses	M/s. Zaverchand Gaekward (P) Ltd., P.B. No. 95, Baroda.	13-1-73	Under implementation.

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Sl. No.	Field of Collaboration	Indian Collaborator	Date of Sanction	Remarks
29.	Tubular heating elements	M/s. Harsha Electric Appliances, UCo. Bank Building, Parliament Street, New Delhi.	11-6-73	Under implementation.
30.	Pumps	M/s. Jyoti Limited, P.O. Chemical Industries, Baroda-390003.	14-1-74	Under implementation.
31.	Radiator oil coolers	M/s. Universal Radiators Pvt. Ltd., Mettupalayam Road, Coimbatore.	14-5-74	Under implementation.
32.	Nylon and polyester yarn and fabrics	M/s. Garware Nylons Ltd., Chander Mukhi Building, Nariman Point, Bombay.	29-5-74	Under implementation.
33.	Spinning Mill	M/s. Kwality Textiles Associates Pvt. Ltd., Pollachi Udamalpet Road, Pollachi, Tamil Nadu.	25-6-74	Under implementation.
34.	Direct coconut processing plant	M/s. Chemical Construction Co., 29, Ring Road, Lajpat Nagar IV, New Delhi.	19-3-75	Under implementation.
35.	Auto Parts Electrical	M/s. Auto Electric Enterprises Pvt. Ltd., 17, 2nd Pophalwadi, Bhuleshwar, Bombay.	29-4-75	Under implementation.
36.	Assembly plant for commercial vehicles	M/s. Tata Engg. & Locomotive Co. Ltd., Bombay House, 349, Homi Modi Street, Fort, Bombay.	5-8-75	Under implementation.
37.	Handling Equipment	M/s. Kanak Engg. Pvg. Ltd., Tisfor House, D-99A, Defence Colony, New Delhi-110024.	7-11-75	Under implementation.
38.	High Density Polyethylene	M/s. Polyolefins Industries, Mafatlal Centre, Nariman Point, Bombay.	17-10-74	Under implementation.
		Abu Dhabi (UAE)		
1.	Engineering Unit	M.s Simon Carves India Ltd., Nirlon House, 254, 5. Dr. Annie. Besant Road, Worli, Bombay.	26-9-75	Approved in principle
		Muscat (Sultanate of Oman)		
1.	Trading Company	M/s. Tata Exports Limited, Block-A, Shivasgas Estate, Dr. Annie Besant Road, Worli, Bombay.	17-10-75	Under implementation.
2.	Consultancy Services	Mr. C.P. Kukreja K-13, Hauz Khas Enclave, New Delhi.	16-2-76	Under implementation.
		Nigeria		
1.	Engineering Goods	M.S Birla Bros., 9/1, R.N. Mukherjee Road, Calcutta.	26-9-63	Started production in 1966.
2.	Razor blade factory	M/s. H.L. Malhotra & Sons, 12, New C.I.T. Road, Calcutta.	2-1-65	Started production in May, 1970
3.	Consultancy Unit	M/s. Birla Brothers Pvt. Ltd., 9/1, R.N. Mukherje Road, Calcutta.	3-11-73	In production.

—Contd.

Sl. No.	Field of Collaboration	Indian Collaborator	Date of Sanction	Remarks
		Nepal		
1.	Jute Mill	M/s. Rajasthan Fertilizers and Chemicals Corpn. Ltd., 5, Mission Row, Calcutta.	7-11-74	Under implementation.
		Singapore		
1.	Automobile accessories	M/s. Teksons (P) Limited Modi Chambers, Bombay.	1-7-70	In production.
2.	Shipping	M/s. G.K. Singhahia. J.K. Building, Bombay.	27-2-73	Under implementation.
3.	Stearic Acid	M/s. Chemical Construction Co. 29, Ring Road, Lajpat Nagar IV, New Delhi.	24-9-73	Under implementation.
4.	Automobile Streights etc.	M/s. Ramon & Demm Limited, Ramon House, Backbay Reclamation, Bombay.	2-7-74	Under implementation.
5.	Enamelled Wire	M/s. Southern Industrial Corpn. Ltd., 99, Armenian Street, P.B. No. 113, Madras.	19-5-75	Under implementation.
6.	Concentrates for soft drinks	M/s. Parle (Exports) Pvt. Ltd., Western Express High Way, Chakla, Andheri (East), Bombay.	2-9-75	Under implementation.
7.	Erection and Technical Services	M/s. I.B.I. Pvt. Limited, I B.I. House, 6-86, Andheri Kurla Road, Bombay.	28-2-74	Under implementation.
		Saudi Arabia		
1.	Rubber ring and other rubber products	M/s. Deccan Enterprises Pvt. Ltd., 8570-A, Rashtrapati Road, Secunderabad.	27-10-75	Under implementation.
		Sri Lanka		
1.	Sewing Machines	M/s. Jay Engg. Works, P.B. No. 2158, Calcutta.	6-11-61	Started prodction in February 1962
1.	Glass factory	M/s. Swastic Glass Works, Chandarpur.	28-1-67	Started production in August 1969.
3.	PVC Leather Cloth	M/s. Bhor Industries, 4-24, Asaf Ali Road, New Delhi.	5-10-69	In production since March, 1969.
4.	Auto Electrical Parts	M/s. Sahney Steel Press Works, 27, Kirol, Near Vidyanihan Station, Bombay.	30-8-72	Approved in principle.
		Thailand		
1.	Synthetic Fibre spg. unit	M/s. Birla Bros. Limited, 9/1, R.N. Mukerjee Road, Calcutta.	7-3-69	In production.
2.	Steel Mill	M/s. Sacha Exporters & Investment (P) Ltd., Denkaron Building, 1st Floor, Nariman Circle, Bombay.	24-6-69	In production.
3.	Textile Mills	M/s. Jagatjit Cotton Mills Ltd., 124, Janpath, Thapar House, New Delhi	20-8-74	In production.
4.	Viscose Staple Fibre Plant	M/s. Gwalior Rayon Mfg. & Wvg. Co. Ltd, Birlagram, Nagda, MP.	12-2-74	Under implementation.
5.	Semi Conductors	M/s. The remadyne Pvt. Ltd., 24 Km., Mathura Road, Faridabad.	15-7-74	Under implementation.

Sl. No.	Field of Collaboration	Indian Collaborator	Date of Sanction	Remarks
6.	Hacksaw Blades	M/s. Hada Steel Products Ltd., No. 3, Sector 15-A, Faridabad.	13-2-75	Under implementation.
		Uganda		
1.	Jute Mill	M/s. Birla Jute Mfg. Co., Birlapur, 24, Parganas, Calcutta.	7-3-69)	Started production in Jan. 1971.
		United States of America		
1.	Restaurant	M/s. Ghai Lamba Catering Consultants (P) Ltd., Marshall House, 1, Hanuman Road, New Delhi.	22-1-73	In production
2.	Restaurant	M/s. Ghai Lamba Catering Consultants (P) Ltd., Marshall House, 1, Hanuman Road, New Delhi.	18-5-74	In production
3.	Restaurant	M/s. Krishna Hotels Ltd., 155/1-B, Mowbrey s Road, Madras.	28-12-74	In production.
4.	Restaurant	M/s. Shalimar Hotels (P) Ltd., August Kranti Marg, Bombay-36.	28-12-74	In production.
5.	Magnet Wires	M/s. Auto-Electricals Limited, 21, Old Court, House Street New Delhi.	24-9-75	Approved in principle.
6.	Restaurant	M/s. Hotel Rajdoot (P) Ltd., Mathura Road, New Delhi.	13-2-75	Under implementation.
7.	Consultancy Service	M/s. Amar Dye-Chem Ltd., Rang Udyan, Sitladevi Temple Rd., Mahim, Bombay.	19-6-75	Under implementation.
		United Kingdom		
1.	Asbestos Cement Products	M/s. Birla Bros Limited, 9/1, R.N. Mukherjee Road, Calcutta.	24-6-65	In production since 1967.
2.	Sweetmeat Factory	M/s. Royal Fancy Sweet-Meat-Saloon, H.O. Baria Mansion, Saran Street, Opp. Crawford Market, Bombay.	20-12-72	In production since January 1974.
3.	Restaurant	M/s. Ghai Lambe Catering Consultants (P) Limited, Marshall House, 1, Hanuman Road, New Delhi.		In production.
4.	Restaurant	M/s. Park, Hotel, 17, Park Street, Calcutta-700016.	25-10-75	Under implementation.
		West Germany		
1.	Oil Engines, Rice Milling Machines etc.	M/s. Kirloskar Oil Engines (P) Limited, Elphinstone Road, Poona-3.	24-4-65	Started production in January 1967.
		Zambia		
1.	Drum, drum reconditioning	M/s. Zetrox Pvt. Limited, Antop Hill, Wadala, Bombay.	25-2-75	Under implementation.
2.	Assembly of Tractors and Agricultural Equipments	M/s. International Tractor Co. of India Limited, Gateway Building, Apollo Bunder, Bombay.	22-7-75	Under implementation

EASTERN ECONOMIST

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Parliament Street, New Delhi-110001

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A blueprint for exports

NOW THAT exports from this country have started increasing both in value and volume, a dialogue between the government and the business community becomes all the more essential in order to consolidate the gains already made and to win over a rising share of the world trade. The study made by the Federation of Indian Chambers of Commerce & Industry (FICCI) regarding export and production perspectives till 1980-81 is timely in the sense that it provides an opportunity to discuss the ways and means which need to be adopted for raising both production and investment in this country to support the export effort (see Records and Statistics, page 121).

A detailed analysis of our exports indicates that the number of goods covered runs into thousands while the markets fed number more than 100. However, ten major products exported to ten leading markets account for 60 per cent of our exports. And the share can certainly be enhanced further provided the export surpluses in adequate quantities can be generated. But it will be unwise to do so at the cost of domestic consumption which might cause unnecessary tensions in the economy. True our agricultural exports constitute only six per cent of farm output while industrial exports consist of eight per cent of industrial production; these percentages in themselves seem small but any sharp increases in them might generate hardships in the domestic market. Hence the FICCI has rightly emphasised the importance of increasing domestic production before venturing to cultivate new markets or enhancing exports to traditional markets.

Says the FICCI study: "As a general guideline, export should not exceed 25 per cent of domestic production. Of course, this guideline cannot be rigidly applied in all cases. Industries like tea, coffee, jute, etc already export about a half of the total domestic output. By and large, if exports are limited to 25 per cent of industrial production, the economy will be in a better position to absorb external fluctuations". But even raising the share of exports from eight to 25 per cent of domestic industrial production will need Herculean efforts at various levels. And there does not seem to be any sanctity or econometric validity about the percentage prescribed; the movement upwards of exports will have to be slow and steady and not in jerks if it is to have some abiding value.

For example, it is estimated that in order to be able to increase the export of engineering goods by Rs 752 crores in 1980-81 over 1974-75, the improvement in domestic production will have to be of the order of Rs 4,424 crores. Similarly, for increase in the exports of jute manufactures by 35,000 tonnes, domestic output will need to be raised by 161,000 tonnes. Similar indicative targets have been set down for tea, coffee, tobacco (unmanufactured), sugar, marine products, non-essential oils, coal and coke, iron ore and cement, art silk fabrics, cotton textiles (mill-made), cotton textiles (handloom and powerloom), chemicals and allied products, rubber manufactures, leather and leather products, cashew kernals, spices, rice, and coir and coir goods (see Records and Statistics, page 121).

There is no doubt that some of the export targets set for 1980-81 can be achieved without much effort. This applies particularly to cement and sugar. In the case of cement, the State Trading Corporation exported 400,000 tonnes in 1975-76. The central ministry of Industry and Civil Supplies is of the opinion that cement exports can be raised to a million tonnes in 1976-77 and for this purpose, the necessary measures are being taken. For example, the STC has been persuaded to forego its monopoly in the export of cement and to let the private exporters try their hand at it. The manufacturers of cement and the

Industry ministry are agreed that the Gulf countries provide a lucrative outlet for cement and that intensive efforts need to be made — more intensive than it has been possible for the STC to put in.

In order to raise the exports of cement, a high-level committee has been formed; it includes representatives of the leading cement manufacturers, the STC and the joint secretary of the ministry of Industry as chairman. With rising availability of cement, this committee may be able to increase its exports up to two million tonnes much before 1980-81. In the case of sugar also, the target of two million tonnes may be reached well ahead of 1980-81 if vigilance and pragmatism of the same order is exhibited as has been the case with cement. As stated by Mr Vinod Parikh in an exclusive interview to *Eastern Economist* (EE dated July 2, 1976; page 24) the export of sugar in 1975-76 was as high as 1.2 million tonnes. With a little more effort, domestic production can be raised — notwithstanding the setback in production in the current year — by two million tonnes so as to reach the target set down for 1980-81.

Intractable problems

The sharp increase in output in cotton textiles envisaged would however pose certain intractable problems such as the paucity of raw cotton and the out-moded character of machinery. In our effort to increase food production, some of the cash crops such as cotton have not received the priority in planning as they deserved. Consequently, substantial gap between the demand and supply of cotton remains necessitating large imports from abroad. At the time of writing, the government is thinking of importing not less than 150,000 bales of cotton before the arrival of the new crop. Thus, only two alternatives are open to us. Either to raise the domestic production of cotton or to be prepared to import increasing quantities of this fibre. The proposed step-up in domestic production of cotton textiles (mill-made, handloom and powerloom) by 1358 million metres will need sizeable increase in imports of cotton and the foreign exchange account will have to provide for it. Moreover, to be competitive in the world markets, the modernisation of the cotton mills will require substantial investment for which the financial institutions will be called upon to make adequate arrangements.

The study under reference has estimated that additional investment of the order of Rs 1817 crores will be needed for hitting the suggested targets of exports in 1980-81. The highest investment at Rs 671 crores is computed for the engineering industries followed by Rs 460 crores for iron ore, Rs 190 crores for chemicals, Rs 170 crores for cement, Rs 26 crores for silk and art silk and Rs 300 crores for others. This investment is besides what is required to establish capacity for domestic production. The investment of the order of Rs 600 crores a year merely for the export industries for the next three years will mean saving up to a little less than one per cent of the Gross National Product (GNP) to finance the export industries. The link-up with the GNP does give a simplistic interpretation to the effort required which however cannot but exert heavy pressure on available resources on which claims of other sectors will be equally pressing.

Whatever the size of the challenge, the government and the industry in this country can face it provided the mutual trust is further strengthened. The strangulating restrictions in relation to licensing, price control, Monopolies and Restrictive Trade Prictices, Foreign Exchange Regulation Act and import control will need to be done away with if a breakthrough in exports is to be achieved. In fact, the whole strategy for exports will have to be re-fashioned in consultation with the exporting industries.

Foreign exchange piles up

THE FOREIGN balances held by the Reserve Bank of India in the Issue and Banking Departments have been surging since March last year at a rate which has not been witnessed in the past one and a half decades and more. Until 1974-75 the Reserve Bank experienced serious difficulty in financing imports and even the devaluation of the rupee in June 1966 did not help bring about an equilibrium in foreign trade not to speak of the balance of payments position. The trade deficits too could not be bridged with the aid made available by members of the Aid-India Consortium and it became necessary to borrow heavily from the International Monetary Fund. In 1974-75, there was severe strain on the balance of payments position in spite of liberal assistance from members of the Consortium and there had to be heavy borrowing from the International Monetary Fund (IMF) apart from utilising the Oil Facility. The trade deficit of Rs 1189 crores had to be wiped out by using aid fully and also borrowing to the extent of Rs 484.70 crores. Even so, foreign balances with the Reserve Bank at the end of March 1975 were only Rs 632.89 crores as compared to Rs 529.87 crores at the end of March 1974. But for the borrowings from the International Monetary Fund foreign exchange reserves would have declined to perilously low levels.

The developments in the past fifteen months, however, have been taking place on entirely different lines. The trade deficit for 1975-76 also has been sizable at Rs 1154 crores. But it has not been necessary to borrow again heavily from the International Monetary Fund and the Oil Facility of Rs 207.15 crores was utilised mainly for augmenting foreign balances. The position was so comfortable that it was even possible in April this year to effect a repayment of Rs 65 crores to the IMF against the drawing in February 1974. Thus foreign balances held by the Reserve Bank stood at the record level of Rs 1,711 crores on June 18, 1976 against only Rs 632.89 crores at the end of March 1975.

increased balances

There has thus been an increase in foreign balances by as much as Rs 1078 crores in fourteen and a half months ended June 18, 1976 against only Rs 103 crores in 12 months ended March 1975. Allowing for the use of Oil Facility of Rs 207.15 crores in August last year, the net rise in the latter period has been quite sizable at Rs 871 crores while there was a net decline in 1974-75 to the extent of Rs 382 crores if borrowing from the International Monetary Fund and against the Oil Facility of Rs 484.70 crores are taken into consideration.

How has the significant inflow of foreign balances in recent months taken place ? It is not known as to what is the policy adopted periodically for crediting foreign balances and to what extent there has been an exaggeration in the rupee value of foreign balances, due to a fall in the external value of Indian currency. In earlier years, when the rupee was linked with sterling and there were no major fluctuations in the external value of the latter, there was periodic revaluation of foreign balances. The exaggeration on account of a drop in the value of the rupee, even if credits were taken for fresh inflow of foreign exchange at the prevailing rates, could not have been more than 10 per cent of the fresh additions to foreign balances. The net increase in foreign exchange reserves in real terms has in any case been sizable.

The heavy inflow of foreign exchange resources has resulted in an improvement in the balance of payments position to such an extent that even with a big trade deficit in 1975-76, the additions have amounted to virtually the retention of one year's net aid from the Consortium in the pipeline. The details relating to the balance of payments position for 1975-76 will be available only after some months and it will be possible only then to find out precisely how new inflows on capital and current accounts were helpful in building up foreign balances.

There has, admittedly, been an increase in remittances from non-resident Indians in foreign countries to their dependents in India. It has also been stated that tourist traffic on account of foreigners has been on a scale larger than ever before even with a net decline in world tourist traffic. The attractiveness of the Orient and relative cheapness of tourism in this country have probably been helpful factors.

new accounts

There has also been an increase in foreign balances due to the opening of the new bank accounts in designated currencies. It has been claimed by several banks that a sizable fraction of the additions to the deposits in the period under reference has been due to the accounts of non-resident Indians. Since the deposits of scheduled commercial banks in 12 month ended June 18, 1976 have risen by over Rs 700 crores, as compared to the previous 12 months in 1974-75, it may not be unreasonable to presume that new bank accounts in designated currencies were responsible for an increase in foreign balances by Rs 300-400 crores. There might also have been inflow of foreign balances from other sources because of the continuing strength of the rupee.

These capital inflows however may not amount to more than Rs 500 crores. Even so, there has been a net accretion to foreign exchange reserves on a dependable basis of about Rs 375 crores. This suggests that anti-smuggling operations have been very effective and the prevention of the earlier 'techniques' of compensatory financing has resulted in larger direct remittances in foreign exchange by non-resident Indians to the dependents in this country. If it is also remembered that the trade deficit of Rs 1,154 crores in 1975-76 was due mainly to massive imports of foodgrains, fertilisers and non-ferrous metals, there has been a tangible improvement in the balance of payments position and foreign balances would have risen even more spectacularly if a good part of fresh aid had not been utilised for augmenting buffer stocks of foodgrains and inventories of fertilisers and non-ferrous metals.

significant developments

What is therefore the significance of the latest developments? A definite view in this regard can perhaps be taken only in the light of fresh developments in the coming months and the success attending the efforts to eliminate unwanted or avoidable imports. It will, however, be justifiable to conclude that the improvement in agricultural production and power availability and the prevention of drain on foreign exchange resources in various forms have considerably strengthened the external payments position and reduced dependence on foreign aid. This assumption will be justified if the upward trend in foreign balances is maintained in the coming months, as it is likely.

The availability of dependable foreign exchange resources over and above the committed aid of the Consortium for 1975-76 should also enable the government to administer the liberalised import policy meaningfully and permit larger imports of particular items for preventing an unnecessary rise in prices or eliminating shortages if for any reason there was a rise in prices or increase in demand for particular goods and services on account of larger Plan expenditure. The Reserve Bank is obviously confident that the foreign balances at its disposal will remain at high levels as in recent months sizable transfers of foreign securities have been effected to the Issue Department from the Banking Department. Foreign securities held in the former department have thus risen to 546.74 crores on June 18, 1976 from Rs 121.75 crores on February 27, 1976. Aggregate foreign balances have thus risen during this period to Rs 1,711 crores from Rs 1,157.42 crores. The accelerated net inflow is probably due also to a smaller trade gap in recent months.

Whatever may be the impact of favourable factors newly in operation, the Reserve Bank is probably feeling that operational balances in the Banking Department will be more than adequate if they were between Rs 1100 crores and Rs 1200 crores. Such a high level of foreign securities in the Issue Department has not been witnessed for over one and a half decades. If there has been real accession of strength to the balance of payments position as a result of a favourable turn in the terms of foreign trade and larger invisible receipts on current and capital accounts, the government can proceed confidently with the implementation of a bigger Plan and administer also its import policy imaginatively.

Tea prices and prospects

Mr H.R. Shah's presidential address at the annual general meeting of the Tea Association of India, held in Calcutta on June 24, revealed that some of the problems of the tea industry were yet to receive sympathetic consideration from the government of India. He said that the industry in Darjeeling was "the hardest hit" and that because of heavy taxation and labour costs, many estates had not been able to take up development and maintenance work for many years with "disastrous effects". He observed that while the unit prices in Calcutta auctions rose by Rs 3.33 per kg in 1975-76 over 1973-74, the production cost per kg in 1975 rose by Rs 3.77 per kg over 1973. He remarked that the managements felt "very helpless" about this situation over which they had no control.

Mr H.R. Shah suggested that the government should give further relief to the Darjeeling tea industry by lowering the excise duty rate to the level of 10 paise per kg which is charged on green tea. New Delhi should favourably examine this suggestion. In the meantime, the managements of these tea gardens should also do their best to improve efficiency at all levels. It is inconceivable that so many gardens could have become chronically sick if their owners had managed them prudently and taken timely measures to make them viable. Incidentally, one wonders why the president of the Tea Association did not offer any comment on the measures now being taken by the government of India to deal with the problem of closed and sick units.

Mr Shah complained that the banks were not giving adequate assistance to the tea industry. He said that the actual amount which a tea company now had to find on its own, over and above the bank loan, was so large that there was need for raising the cash credit limit to 90 per cent or even 100 per cent. There were also other problems such as unsecured loans, commission on sales and credit facilities to the newly purchased sterling tea estates. Mr Shah revealed that some banks were not following the recommendations of the Reserve Bank although Dr R.K. Hazari, the Deputy Governor's attitude to the tea industry was helpful. Similar complaints have been made by many other industries also. The Reserve Bank should look into this matter and see to it that banks implement its directives especially in the case of industries such as tea which are so important from the point of view of employment and earning foreign exchange.

government incentive

Mr Mehta referred to the government's target of Rs 260 crores to be earned from the export of tea for the current season and said that this could be achieved provided certain incentives were given such as rebate of full excise duty on the exported tea. He remarked that this would not only ensure the present level of tea exports in quantity but would also give "tremendous encouragement" to exporters to put in more tea for export and also push up sales in those countries where consumption is low. There is, of course, a sound case for giving full excise rebate on exported tea. But it seems unlikely that this by itself will give such a big boost to exports as claimed by Mr Shah. It is equally important for industry to show initiative and enthusiasm in promoting exports to the traditional and the new markets. Mr T.S. Broca, the chairman of the Tea Board, who inaugurated the association's annual meeting, advised the tea growers to market their produce directly. He said that they should look and act beyond auction and not be content only with production. He also suggested that greater attention should be given to the export of packet tea which fetched Rs 16 crores in 1975-76 against Rs 9 crores in the preceding year.

The industry should certainly try to implement these proposals. But Mr Broca's view that the industry should not worry about the impact of the revaluation of the rupee in relation to the pound does not seem to be convincing. Mr Shah pointed out that the rupee earnings on tea exports would shrink at least by 15 to 17 per cent and that since such fluctuations in the international market had become frequent, the government should give "some kind of export incentive linked to the revaluation or devaluation of the rupee in relation to pound sterling".

Mr Broca said that the increased price which tea was currently fetching at London auction—81 pence a kg compared to 43 pence in 1973—would offset the decline in the realisation in terms of rupees as a sequel to the fall in the value of the pound. The government however should carefully watch the situation and take timely steps so that the industry will continue to have the incentive to sell abroad in preference to the home market. It is worth noting in this context that the quantity of tea exported in 1975-76 was only 210 million kgs as compared to 233 million kgs in 1956-57. As Mr Shah rightly observed, "It is not sufficient to earn higher amount from tea exports through higher unit price because, at one stage, the total export earnings will start stagnating, once the unit prices become static. Higher exports in quantity year after year are equally important to augment our export earnings as well as to achieve our export target".

commendable efforts

Mr Shah said that the Food and Agriculture Organisation (FAO) of the United Nations was making "commendable efforts for making the international agreement on tea a reality". But the fact remains that FAO's estimates of production and consumption have proved to be quite inaccurate. Mr Shah said, "A comparative study of the past and present position of the world tea industry shows how forecasts in the past have been wide off the mark. A continued forecast of surplus teas over demand had helped in keeping the average price realisations in the world market depressed.

Surprisingly, a study of two to three years' world production figures shows no damaging accumulation of surplus to flood the market with a consequential crash in prices. In fact, all expected surpluses at the season ends were consumed. Only in the wake of the joint action by the OPEC, the commodities like coffee, tea, cocoa, etc. began commanding some respect from the advanced consuming countries, which has helped to better the average unit realisations overseas. Now the FAO (which so far forecast heavy surpluses) has taken the other extreme line of forecasting heavy shortfall in production over demand. The figures quoted by the FAO in the last meeting held at Rome in April this year forecast a shortfall in world tea supply over demand by 52 million kgs by 1985. Mr Shah said that growth in production is under-estimated and that the FAO secretariat should again send out its representatives to the tea producing countries and revise their estimates.

But how far will such revised estimates be realistic? Mr Shah observed that the discussion on buffer stocks in tea did not progress much at the FAO meeting as "tea was recognised to be a difficult commodity for such stocking because of its rapid deterioration in storage." But surely this fact must have been already well-known to those who initiated and participated in the discussions. A major obstacle to international cooperation on tea seems to be the lack of unanimity of views between the old and the new producers. The latter do not favour any arrangement which curbs their expansion in production or exports. Nevertheless, efforts should continue to be made through the FAO and other forums to arrive at some arrangement which will be in the interest of all tea producing countries. Meanwhile, New Delhi should take appropriate measures to improve the industry's competitive capacity.

Railways : room for improvement

THE DRAMATIC improvement in the working of railways since the declaration of the emergency in June last year, indeed, is heart-warming. Late arrival of trains, widespread ticketless travel, frequent pulling of alarm chains for unscheduled stoppages, increasing thefts and pilferage of railway property and consignments and sloth at the various rungs of this largest departmental undertaking had marked its operations earlier for not an inconsiderable period with the result that despite successive increases in passenger fares and freight rates for several years, the budgets had shown sizeable deficits. To some extent, the stepping up of passenger fares and freight rates, of course, was not unjustified in view of the mounting operational costs due to factors beyond the control of the railways. But the hopes entertained after each upward revision of fares and freight rates that the undertaking would be able to make up its losses were persistently belied.

The picture today is indeed reasuring. Besides the general improvement in passenger amenities, cleanliness of coaches, etc, the punctuality of train arrivals at destinations now averages over 96 per cent — in some zones even cent per cent — as against barely 60 per cent before the declearation of the emergency. The incidence of alarm chain pulling, which averaged 28,800 cases per month in June last year, came down sharply to 18,353 cases in July last and thereafter has been of the order of only 7,000 to 8,000 cases each month. Ticketless travel, which was estimated to cost the undertaking nearly Rs 25 crores per annum, is claimed to have been eradicated to a very large extent. During the nine months to March last, special checking efforts were said to have netted nearly Rs 3 crores additional revenue, besides increasing substantially the window sales of tickets—during the whole of 1975-76, the window sales aggregated to 2865.5 million tickets, as against 2429.3 million in the previous year. The long queues for reservation of berths have disappeared following concerted efforts made to bring to an end the activities of unauthorised travel agencies. The congestion in trains has gone down vastly not only as a result of the drive against ticketless travel but also owing to the increase in capacity effected by introducing as many as 183 new trains—72 non-suburban trains and 111 suburban trains—extending the run of 62 trains and bringing 18 trains on broadgauge and one on metregauge under diesel traction. As many as 600 holiday specials have been planned recently from different cities to clear the summer-holiday-rush of passengers.

significant point

Of much greater significance from the revenue point of view, however, is the fact that the undertaking has been able to attract and move as much as 222 million tonnes originating traffic during 1975-76 — 12 million tonnes more than the target for the year and 14.06 million tonnes more than the previous record attained in 1969-70. This figure has substantially exceeded even the revised estimate of 214 million tonnes which was put forth by the minister for Railways, Mr Kamlapati Tripathi, in his this year's budget speech and also the figure of 217 million tonnes which he had hoped would be the final tally. This implies that the last year's deficit of the railways should ultimately turn out to be about Rs 15 crores less than the revised estimate of Rs 62.81 crores.

The above encouraging trend in goods traffic is stated to have continued in the first two months of the current financial year also. If the next kharif crop is even normal and industrial activity grows at the anticipated rate of 8 to 10 per cent, the traffic this year should grow at a much faster rate than last year when the growth in industrial output was not more than 5.5 per cent. This, indeed, should have a very salutary effect on railway finances and should enable the undertaking to throw up a larger surplus than Rs 8.98 crores estimated by the Railway minister.

targets over-reached

The administration hopes to fully cater for whatever traffic is offered this year. The budget estimates of 11 million tonnes increase in originating goods traffic, including the departmental traffic, over the last year's revised estimate of 214 million tonnes and four per cent growth in passenger traffic should, in fact, turn out to be significant underestimates in the light of the above. The railways, however, are not worried about it. They would like to attract as much traffic as possible for despite substantially increased loadings, the outstanding demand for wagons, which stood at 135,500 numbers on the broadgauge and 166,000 numbers on the metregauge systems in the beginning of 1975-76, has now come down to just 6,200 wagons and 6,000 wagons, respectively.

So far as passenger traffic is concerned, the overcrowding in compartments, as mentioned earlier, has been eradicated to a great extent and the passenger-carrying capacity is being augmented through various means. With a view to attracting as much high-rated goods traffic as possible, specialised services such as the quick transit service and the container services have been extended considerably. Super express goods trains are now running to fixed timings between the cosmopolitan cities of Delhi, Calcutta, Bombay and Madras and other important commercial centres. The high-rated traffic susceptible to diversion to road transport has been fully freed from the constraints of operating restrictions and quota limitations.

Equally significant has been the progress achieved by the various production and maintenance units of the undertaking. The marked improvement in both the passenger and goods carrying capacities last year, in fact, has resulted from the increased productivity in railway workshops which enabled them to overhaul monthly on an average 33, 14 and 10 per cent more of wagons, coaches and locomotives compared to the pre-emergency period. Concerted efforts at clearing the backlog of maintenance are envisaged to be continued this year. This is expected to provide a good cushion for the increased traffic offerings this year even if they exceed the budget estimates.

import substitution

The production units of the railways at Varanasi, Chittaranjan and Parambur have been able to raise their output significantly, besides furthering the drive for import substitution. The swadeshi drive launched in August last has resulted in an annual saving of foreign exchange to the order of Rs 5.17 crores. As many as 181 items were taken off the import list during the nine months to March last. The Diesel Locomotive Works (DLW) at Varanasi was able to indigenise 34 items valued at Rs 3.89 crores, the Chittaranjan Locomotive Works (CLW) 140 items valued at Rs 1.08 crores and the Integral Coach Factory (ICF) at Parambur one item valued in Rs 20 lakhs. A major breakthrough was achieved in the manufacture of such items as cylinder liners for Alco locomotives, cylinder heads and brake items. A mobile exhibition displaying about 500 items still on the import list has been organised to induce indigenous entrepreneurs to take up the production of these items. This exhibition has already visited during the last 100 odd days all the important industrial centres in the north and east India and will be shortly moving on to the southern, western and central parts of the country. The DLW and the ICF are currently producing diesel locomotives and coaches to the order of 130 and 700 units per annum.

export drive

The undertaking has also embarked upon an extensive export drive. Its various production units have been able to secure during the last 12 months export orders for locomotives and coaches worth nearly Rs 10 crores which are to be executed by the end of the next calendar year. Exports of railway equipment during 1975-76 from these production units aggregated to just Rs 3.53 crores. A number of new orders have also been received by the wagon-building industry from various countries. Consultancy services have been offered by the railways to several African and west Asian nations. A significant breakthrough achieved in this respect has been an agreement with Ghana for the provision of services for improving the railway operations there. The contract will earn for the railways $ 66,000. Bids have been tendered for the provision of consultancy services to the Nigerian and Iraqi railways.

The impressive improvement in the operational efficiency of the undertaking since the declaration of emergency in June last year, however, can be expected to pose a new problem for it. The traffic carrying capacity available with it at present, which has got augmented substantially through the clearance of backlog of maintenance, may have to be raised to a much lower extent now than would have been the case in the pre-emergency period, to cater for the current Plan-end requirements. This may induce the Planning Commission to reduce allocations for the development of railways. It, indeed, will be a pity if the allocations for development are made inversely proportional to the increase in efficiency. The momentum gathered by the railways during the emergency obviously ought not to be lost in the long-term interests of the country. Transport bottlenecks have often caused many complications in the country's economy in the past. They ought to be avoided in the future. In the infrastructure field, it is always desirable to create some surplus capacity which can be marshalled to cater for unexpected growths in traffic, particularly in the years of bumper harvests. Some surplus capacity also will keep the railway administration on its toes for attracting traffic, which can never be the case if the traffic carrying capacity is even marginally short of requirements. A sellers' market breeds complacency. Let not the railways lose the momentum that has been gained now.

Another important aspect on which the railway administration has to bestow increasing thought is the crime on running trains. The theft and pilferage of railway property and consignments, no doubt, have been contained a good deal through the various measures taken recently to curb the activities of the anti-social elements working on the railways, as well as the drive launched against wagon-breakers and receivers of stolen railway property. But several cases of dacoities on running trains have been reported in the recent months. Though it is a law and order problem to a great extent to be handled by the state governments, the railway protection force can also be geared to this task to greater extent. The implementation of the recommendations of the one-man expert committee on railway security and protection, which covered the legal structure, powers, working procedures and leadership of the railway protection force as well as the government railway police of the state governments, should go some way in improving the situation. The processing of its recommendations needs to be expedited.

Eastern Economist 30 Years Ago

JULY 12, 1946

The recent giant conversion of the $3\frac{1}{2}$ per cent Government paper has been generally welcomed as a wise act of financial statesmanship opening up a new era of cheap money. Its benefit to the Government in the shape of reduced interest on existing indebtedness and lower rates on future borrowings has been emphasized. Its advantage from the point of view of the economical financing of the large reconstruction expenditures of the Government has been particularly stressed. But there are others who doubt the wisdom of cheap, at any rate cheaper, money. This school of critics is not confined to India. Even in Britain and and U.S.A. where cheap money is recognized as the bedrock of economic policy, there are many who doubt the wisdom of further cheapening of money. In India this school of thought is not impressed by the movement of cheap money in U.K. and U.S.A. because not only are conditions in India regarding capital formation, savings and investment very different from those in other countries, but in the immediate post war transition period when inflation is yet to be held in check, cheap money can only lead to a bad boom. No less a person than Sir Purshotamdas Thakurdas recently said that the cheap money policy which is maintained by the weight of Government disbursements, combined with a number of factors unfavourable to private spending, and enforced with such determination by the Executive, connotes a rude disturbance to India's economic normality instead of being an effort to build it up.

Capital's Corridors

R. C. Ummat

Oil exploration • IFFCO's progress

THE OIL and Natural Gas Commission has drawn up an ambitious, time-bound programme for oil exploration on-shore. This, of course, does not imply that off-shore exploration is to be slackened. What is aimed at is that side by side off-shore exploration at a fast rate, on-shore exploration would be stepped up. On-shore exploration in the last three or four years has been at a comparatively low ebb.

The Finance ministry and the Planning Commission have already allocated Rs 350 crores for on-shore exploration during the terminal three years of the current Plan period—Rs 110 crores for the current financial year and Rs 90 crores each for the next two years. They have been approached to raise this allocation by Rs 70 crores--Rs 10 crores for this year and Rs 30 crores each for the next two years.

new concepts

Disclosing the above in a talk with pressman here last week, Mr K.D. Malaviya, the union minister for Petroleum and Chemicals, indicated that new geological concepts had made it possible to hunt for hydrocarbons in areas where this search was considered fruitless till lately. This, however, involved deep drilling. But even then on-shore exploration would not cost as much as off-shore exploration.

The on-shore areas proposed to be taken up for the drilling include the foredeeps of the Himalayas, including Ram Shahr and Jwalamukhi in Himachal Pradesh, some regions of the Gangetic basin extending from Bihar to Jammu, northern areas of the Brahmaputra river in Assam, west Rajasthan, Saurashtra and Godavari and Mahanadi basins. Exploration in Himachal Pradesh is proposed to be resumed by September-October this year.

Several deep drills have been secured for the purpose. Exploration, however, is not to be undertaken by the ONGC drillers alone. Foreign contractors are also envisaged to be engaged on fee payment basis without any share in the oil found or produced so that quick results can be obtained.

better drills

The new rigs which have been purchased recently can drill up to a depth of 4,500 to 6,000 metres. Such depths have not been tested before in this country. Drilling had to be abandoned earlier at much less depths due to such problems as high pressure and pipe-sticking.

Another important step that is being taken to expedite on-shore exploration is the use of helirigs in thickly forested areas where exploration through the conventional means of building approachable roads for moving equipment is a prohibitive proposition. The services of US contractors will have to be secured for this purpose.

Off-shore exploration in the Bay of Bengal and the Gulf of Cambay, where drilling was undertaken by foreign explorers last year, is understood to have failed to yield any worthwhile discovery. The future programme for these two areas is expected to be finalised shortly.

Meanwhile, the development of production potential to the targetted levels in the Bombay High area is being carried on vigorously. The flow of the two production wells already commissioned in this area has been doubled through acidisation.

As 95 per cent of the oil industry in the country has already come under government ownership following the take-over of the Esso and Burmah-Shell refineries and distribution networks in the last three years, a reorganisation of the oil industry is proposed to be undertaken shortly to make optimum use of the existing assets and to maintain a high standard of service to consumers. Some proposals have already been formulated in this connection. The views of the concerned interests are envisaged to be elicited before finalising them.

The Damle Committee on distribution of petroleum products, which submitted its report to the government last week, has called for economies in distribution costs and has suggested measures for checking malpractices in the distribution system. It has expressed the view that the oil companies must shoulder the responsibility of providing petroleum products to consumers in correct measure and the requisite quantities at the prescribed selling prices.

integration of companies

The committee has suggested complete integration of storage and distibution facilities of all the oil companies operating in the country. It has emphasised the need for machinery for correctly assessing the demand for petroleum products and clearly demarcating the functions of the oil companies the oil coordination committee and the ministry.

The establishment of multipurpose distribution centres, particularly in the rural areas, has been commended by the committee. It has recommended that more such centres should be opened.

* *

The Indian Farmers Fertiliser Cooperative Limited (IFFCO)—Asia's largest fertiliser producing unit in the cooperative sector—indeed, has done well during the very first full year of its commercial operations. It has earned during the cooperative year ending June 30, 1976, a net profit of Rs 2.22 crores, which will go a long way in clearing the accumulated losses of the previous years aggregating to Rs 3.02 crores.

Whereas during the 1974-75 cooperative year, the undertaking produced in a little more than three months of commercial operations about 62,862 tonnes of ammonia, 56,408 tonnes of urea and 60,006 tonnes of NPK fertilisers, the production went up during the 12 months to June 30, 1976, to as much as 181,337 tonnes of ammonia, 240,205 tonnes of urea and 171,644 tonnes of NPK, as against the installed capacity of 300,300 tonnes of ammonia, 396,000 tonnes of urea and 475,200 tonnes of NPK. Production is envisaged to be stepped up significantly further during the 1976-77 cooperative year to 258,000 tonnes of ammonia, 325,000 tonnes of urea and 225,000 tonnes of NPK.

interesting fact

An interesting fact that has emerged from the operations of the undertaking up to June 30, 1976, is that whereas the total foreign expenditure on setting up its two plants at Kalol and Kandla had been of the order of Rs 27 crores, the saving in foreign exchange already effected has been of the order of as much as Rs 90 crores. A further saving of Rs 68 crores is expected to accrue during 1976-77. The contributions of the undertaking to the central and states exchequers by way of pool equalisation charges, excise duties, customs duties, sales tax, etc, since the start-up of commercial operations has exceeded Rs 25 crores, besides payments to the railways by way of freight aggregating to over Rs 6 crores. Another noteworthy feature has been that with a view to stepping up the aggregate national production of fertilisers to the extent possible, the undertaking supplied during 1974-75, 10,000 tonnes of anhydrous ammonia in special tank wagons to the Trombay unit of the Fertiliser Corporation of India.

Though better placed compared to the other manufacturing units in the country by virtue of its equity being held by co-operative societies which have to take up production in proportion to their shareholding, no efforts are being spared by IFFCO in promoting the use of fertilisers by farmers through holding farmers' meetings, field demonstrations, distribution of literature explaining the benefits of balanced fertilisation, etc. Another important measure taken in this regard is the adoption by the undertaking of 65 villages for integrated agricultural development. By the end of this year, the number of such villages is envisaged to go up to 200.

It is also planned to set up at Phulpur as part of a new manufacturing unit to be established there, a farmers' training institute with three objectives in view: (a) communication of the message of modern agriculture to farmers in a way that they adopt it, (b) development of professional leadership amongst young farmers so that they become message-carriers for others, and (c) establishment of a model farm to create awareness among cultivators regarding the potential benefits of scientific agricultural technology. The first course of training in this institute is intended to be started during the current cooperative year.

The Phulpur project, with a capacity of 500,000 tonnes of urea based on naphtha, is expected to cost Rs 168 crores out of which the foreign exchange expenditure would be around Rs 98.10 crores. A loan to cover the foreign exchange component has been provided by the World Bank. The balance of the resources are expected to be raised by the undertaking through increase in equity capital, ploughing back of its profits from the Kandla and Kalol projects and loans from Indian financing institutions. The equity capital is expected to be subscribed to the extent of about Rs 22 crores by cooperatives and Rs 31.2 crores by the government of India. The work on the project is proceeding well. Arrangements for design, engineering and construction have already been finalised with renowned contractors in India and abroad. Construction is expected to be completed by the end of 1978. Commercial production is anticipated to commence in 1979.

With the growth in its capacity and production, the society is extending the area of its membership which at present covers the states of Gujarat, Haryana, Madhya Pradesh, Maharashtra, Rajasthan, Punjab, Uttar Pradesh, Tamil Nadu, Karnataka, Andhra Pradesh and Delhi. The new states from which membership is to be enrolled this year include West Bengal, Bihar, Orissa and Himachal Pradesh.

As a result of the four reductions effected by the government in fertiliser prices since July last year, the provision of a subsidy of Rs 1,250 per tonne of P_2O_5 and the other measures taken to induce demand, the off-take of fertilisers by farmers is stated to have improved in the recent months.

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POINT OF VIEW

Agricultural credit

Dr V. V. Desai

The author believes that the establishment of SFDAs and MFALs, the reconstitution of cooperative banks and the measures taken under the 20-point economic programme will help bridge the gap between supply and demand of agricultural credit.

PAUCITY OF adequate financial resources even for carrying out normal farming activities has hitherto been a major constraint in agriculture though it has been the predominant sector of the national economy. Generation and reinvestment of savings as an internal source of finance are inconceivable because of the subsistence nature of agriculture characterised by perpetual dissavings and deficits. Agriculturists have been compelled to have recourse to the external sources such as money lenders, traders or other institutional agencies for meeting various expenses. Thus, "agriculture is dependent upon outside finance for its development."[1]

temporary transfer

Procurement of funds from external sources cannot ordinarily[2] be claimed by a farmer as a matter of right but more so a matter of his credit. Mellor defines credit "as a device for facilitating the temporary transfer of purchasing power from one individual or organisation to another."[3] In the words of Herrick, "credit is that form of confidence reposed in a person which enables him to obtain from another the temporary use of thing or value."[4]

This signifies credit as the temporary means of raising funds for defraying various obligations. Normally, a periodic cycle of borrowing, followed with repaying, which is to be maintained in the interests of both the borrowers and lenders, improves the creditworthiness of the former, as the frequency of the cycle increases over the period of time. Canalisation of borrowed funds in non-productive lines obviously impedes the cyclical flow of funds. This cycle is not maintained in agriculture because of continuous borrowings followed with irregular repayments, and hence, agriculturists always remain under heavy debts. Their entire credit turns into a backlog of debt.

different purposes

Farmers borrow funds mainly from non-institutional agencies[5] for different purposes and periods in order to meet their farm and non-farm expenses. Since there are various dimensions for credit, viz., purpose, period and nature, it is classified on the basis of these aspects, as depicted in Table I. Yet period-wise classification, viz., short, medium and long term credit, is most comfortable and prevalent in statistical returns and and feasible for analysis. Short-term credit is provided for meeting the seasonal requirements of working capital comprising mostly the items of revenue expenses. Funds are lent on medium and long term basis for livestock, repairs and maintenance of farm machinery, and purchase of machinery or redemption of outstanding debts.

Whatever may be the classification, aggregate credit requirements of farmers vary from season to season, region to region and from crop to crop. Under these varying conditions on the one hand, and inadequate statistical information regarding individual credit needs, on the other, it is an arduous task to estimate the aggregate credit requirements for agriculture. However, a few attempts have been made by economists to formulate the models applicable at microlevel for estimation of credit requirements. Since all of them cannot be discussed here, only two of them are explained in brief.

I. Singh and Gupta model

Singh and Gupta[8] have designed a micro-model for estimating short term credit requirements of a farmer by taking area under cultivation and capital inputs in a given farm into consideration. Accordingly:

$$(1)\quad Y_i = R_i \sum_{j=1}^{m} P_{ij} X_{ij}$$

Where

P_{ij} = Capital Inputs per acre in the ith farm

R_i = Proportion of Credit to Capital inputs on ith farm

X_{ij} = Area under jth crop on ith farm

Y_i = Credit Requirements

and they have taken the values of

$R_i = 0.50$ ...Small Farms

$R_i = 0.45$ ...Medium Farms

$R_i = 0.40$ ...Large Farms

Further, credit requirements for a block would, therefore, be

$$(2)\quad C = \frac{A_t}{A_s} \sum_{i=1}^{k} n_i Y_i$$

Where

A_t = Total Cultivated Area in a Block

A_s = Sample Holdings

n = Number of Holdings

In this simple model, the authors believe that the amount of credit, which bears certain proportion with total capital inputs, expands in the multiple of area under cultivation. However, the model does not provide any explanation for the constants of R_j chosen by the authors. Yet, the attempt in identification of relationship is quite commendable.

II. regression model

The amount of fund required to be borrowed is functionally related to the cost of exogeneous inputs like fertilizers, canal water, etc., net operated area and other investments, hence, regression equations of the following type are sometimes suggested by economists:

$$(3) \quad Y = AX_1^{b}X_2^{b}X_3^{b}X_4^{b}$$

$$(4) \quad C = aX_1^{B}X_2^{B}X_3^{B}X$$

Where

Y = Total returns from crop

X_1 = Investment on Irrigation Equipments

X_2 = Investment on Draught Cattle

X_3 = Expenditure on Fertilizers

X_4 = Area Cultivated

C = Amount of Credit required

And, $b_1 \ldots b_n$, and

$B_1 \ldots B_n$ are respective regression coefficients.

While equation (3) measures the impact of independent variables taken into consideration on farm returns, equation (4) suggests the relationship between required borrowings and farm inputs and investments. This model, which is applicable in individual cases, has a limited use because it does not incorporate all the related variables which cause to raise the amount of future borrowings. Since regression coefficients vary from region to region, the model is not suitable for estimating total credit requirements for agriculture as a whole.

III. panel's approach

The All-India Rural Credit Review Committee, 1969 had appointed a panel of economists headed by Dantwala[8] for estimating agricultural credit requirements during the period of the fourth five year Plan. This panel adopted the following approach for revising the estimates prepared by the working group set up by the Agricultural Production Board, government of India:

(a) The amount of credit required bears certain relationship with the value of agricultural produce. This ratio of credit produce for 1961-62 was applied to the produce of 1966-67 and 1970-71 at 1965-66 prices; and

(b) The per acre average borrowing was multiplied to the estimated net

TABLE I

Classification of Agricultural Credit

	Items of Expenditure
Purpose (RBI Rural Credit Follow-up Survey)[6]	
1. Capital Expenditure	Purchase of land, land reclamation, construction and repairs of bunds, wells and irrigation sources, purchase, repairs and construction of farm houses, purchase of farm machines, their repairs, replacement, additions, etc.
2. Current Expenditure	Purchase of seeds, manures, fodder, hire charges of water, machines, etc. and wages, rent, land revenues, cess, and other expenses.
3. Capital Expenditure on Non-Farm Business	Purchase, construction, repairs, additions and maintenance of houses, production equipment, transport equipment, furniture. etc.
4. Family Expenditure	Purchase of clothes, utensils medical and educational expenses, litigation, birth, marriage and death ceremonies, etc.
5. Repayment of Debts	Repayment of debts and interest.
6. Other Expenditure	Purchase of bullion, ornaments, shares, certificates, bonds, etc., life insurance premium.
7. More than One Purpose	Expenditure incurred jointly on any two or more purposes referred to above.
Period	
Period (Cooperative Act)	
1. Short-Term	Recurring expenses for the period not exceeding 15 months.
2. Medium-Term	Expenses on farm assets of temporary nature, like deepening of wells, reconstruction of wells, etc., for the period not exceeding more than 60 months.
3. Long-term	Covering a period of 5 to 20 years, redemption of debts, purchase of heavy machinery, like tractors, construction of wells etc.
Nature (The Venektappiah Committee)[7]	
1. Consumption Credit	Personal, domestic and non-farm expenses.
2. Production Credit	Farm expenses of recurring nature and related to agricultural operations.
3. Investment Credit	Expenses incurred on permanent additions and improvement of farm assets.

acreage under cultivation in 1966-67 and 1970-71.

In order to make the allowance for rising prices the estimates were inflated by 25 per cent. This design may be expressed in language of mathematics as :

First Method

(5) $C_{66\text{-}67} = \frac{C_{61\text{-}62}}{P_{61\text{-}62}} \times P_{66\text{-}67}$

(6) $C_{70\text{-}71} = \frac{C_{61\text{-}62}}{P_{61\text{-}62}} \times P_{70\text{-}71}$

Where

C = Amount of Credit/Borrowings

P = Value of net Agricultural Produce

By inflating both the values by 25 Per cent,

(7) $CF_{66\text{-}67} = C_{66\text{-}67}\,(1+0.25)$

(8) $CF_{70\text{-}71} = C_{70\text{-}71}\,(1+0.25)$

CF = Final estimates of Credit Requirements.

Second Method

(9) $C_{66\text{-}67} = b \times A_{66\text{-}67}$

(10) $C_{70\text{-}71} = b \times A_{70\text{-}71}$

Here

b = Per Acre Borrowings

A = Net Acreage under Cultivation

By inflating these estimates

(11) $CF_{66\text{-}67} = C_{66\text{-}67}\,(1+0.25)$

(12) $CF_{70\text{-}71} = C_{70\text{-}71}\,(1+0.25)$

The estimates of credit requirements were further developed by taking household expenditure and current farm and non-farm expenditure into consideration,

Thus

(13) $CF_{70\text{-}71} = (CE+HE)_{70\text{-}71}$

(14) $CF_{70\text{-}71} = (CE+0.75\ HE)_{70\text{-}71}$

Where,

CE = Current Expenditure on farm and non-farm business.

HE = Household Expenditure

The estimates of short term credit requirements prepared by the working group as well as by the panel are presented in Table II. Although the estimates are not comparable on account of difference in methodologies of the working group and the economists' panel, the estimates of the latter are somewhat higher than that of the former. However, the review committee made further exercise in identifying the magnitude of cash and kind components of total credit needs for the year 1973-74. While segregating into cash and kind components, certain assumptions were made by the committee. In regard to cash component its suppositions were, that

TABLE II

Estimates of Short Term Credit Requirements for 1970-71

(Rs in crores)

Particulars	Estimates
Working Group	1106
Economists Panel	
Method First	
Eq. 13	1228
Eq. 14	1011
Method Second	
Eq. 13	1341
Eq. 14	1174

(i) cultivators holding more than 20 acres need no credit for cash expenses, and

(ii) as a result of implementation of land reforms, subdivision and fragmentation, sale of land, etc, 33 per cent or one third of the holdings was not cultivated, and therefore only two-third of the area was taken into account[10].

In determining the kind components, it was assumed:

(i) that, of the acreage under high yielding varieties, a sizeable part will be accounted for, by 1973-74, by farmers who will have reached a stage of financing to a substantial extent;

(ii) that the cultivators of unirrigated areas will, by and large, not command 'own' resources of any significant volume and will, therefore, need to rely proportionately on borrowing for the costlier inputs; and

(iii) that the cultivators raising commercial crops on irrigated areas will need much support by way of credit for their purchase of inputs and may, in fact, depend even less on credit than the HVP category[11].

On the foundations of these considered views, the Committee estimated the total production credit needs for the year 1973-74 to the tune of Rs 2,000 crores as presented in Table III. Of the total credit requirements, 41.3 per cent was expected to be claimed in the form of kind, like fertilizers, pesticides, seeds, etc. According to the Committee, per acre credit needs for unirrigated area are lowest though the magnitude of cash requirements are highest. Only in the case of HVP farmers borrowings were expected to be less in the form of cash. It is interest-

TABLE III

Short Term Credit Requirement in 1973-74

(Rs in crores)

Category	Area (Mn acres)	Kind	Cash	Total	Per acre credit need in Rs
HVP	60	475	374	849	141
Non-HVP	69	196	214	410	60
Unirrigated	293	156	585	741	25
Total	422	827	1173	2000	—

ing to note that the share of the HVP category in the total credit needs comes to 42.5 per cent though it covers not more than 14.2 per cent of the total cultivated area. This signifies an exorbitant expansion in demand for credit, if HVP is extended further over a large area.

In so far as the estimation of medium-term credit needs is concerned, the Committee candidly accepted its nonsuccess in the wake of changing concepts and contents of medium-term loans and endorsed the estimates of the Working Group, which put it at Rs 500 crores for the fourth Plan. However, in the case of long-term credit requirements, the committee appointed a technical committee on long-term credit. The committee laid major stress on schemes of minor irrigation and provision for machinery and implements in conformity with the basic purpose of bringing about permanent improvement in land and farm assets. Thus, the aggregate amount of funds required for credit for the fourth Plan period was estimated to be of the order of Rs 4,000 crores as below:

	Crores of Rs
1. Short Term	2,000
2. Medium Term	500
3. Long Term	1,500
Total	4,000

In view of the increasing accent on HVP and mechanization in the country during the fifth Plan, the demand for agricultural credit may further expand as much as to Rs 5000 crores by the end of 1978-79.[12] As a matter of fact, actual agricultural borrowings are likely to soar further in the wake of rising cost of cultivation resulting from an upward movement of prices of agricultural inputs including wages. Another additive factor would be the structural changes in operational holdings as a consequence of land reform measures. Such an expansion of alarming proportions will be an uphill task for the agencies providing agricultural credit.

"Agriculturists in India were primarily depending for their credit needs on the non-institutionalised sector consisting of private money-lenders, landlords, traders, etc., who together accounted for as much as 93 per cent of the total borrowings of the cultivating households in the country in 1951-52."[13] Their intractable role in dispensation of agricultural credit for all and sundry purposes was in fact a challenge to the institutional agencies. The institutional agencies commanding ample resources rather failed to compete and drive them out from the field of agricultural credit. Their dominance on the rural scene was perceptible at least till 1961, as may be witnessed from Table IV. During a period of one decade i.e. from 1951 to 1960, the shrinkage in the proportionate share of total individual agencies was as little as 9.7 per cent. When the situation did not alter favourably, the government was constrained to resort to legislative measures. Ultimately, under the 20-point economic programme of the prime minister, the government of India declared a moratorium on rural debts from money-lenders and this has given the final and fatal blow to the system of private money-lending business in rural areas, and paved the way for institutional agencies. Now, there exit the following agencies from which farmers can directly borrow:

1. Primary agricultural cooperative societies,
2. State governments,
3. Primary land development banks.
4. Commercial banks, and
5. Regional banks.

Primary Agricultural Credit Societies: These primary units at a village level are functioning as flood-gates through which funds are directly supplied to the farmer-borrowers. Since they are the basic functionaries in credit dispensation, their financial strength and effectiveness in lending operations cannot be simply glossed over on any ground. Inadvertance and indifference of upper bodies in the structural

TABLE IV

Shares of Agencies in Agricultural Credit

(Figures in percentage)

Agency	Borrowings of rural households	
	RCS	DIS
	1951	1960
Government	3.1	2.3
Cooperatives	2.9	13.8
Commercial Banks	1.1	0.7
Relatives	14.4	8.8
Landlords	2.0	0.7
Agri. Moneylenders	24.8	33.9
Professional Moneylenders	43.8	12.7
Trader and Agents	6.1	10.1
Others	1.8	17.0
Total	100.0	100.0

RCS=All-India Rural Credit Survey, 1951
DIS =All-India Rural Debt and Investment Survey, 1960

hierarchy of cooperative system in mid-sixties resulted in the liquidation of a large number of societies. This was clearly visualised by the Committee on Cooperative Credit,[14] and as a result, it recommended that "the functioning of strong and viable units at the primary level is an urgent need as much for the sound working and health of the entire co-operative credit structure." However, soon after amalgamation and reconstruction of these societies, they made an impressive record in disbursement of credit as may be witnessed from Table V.

seasonal loans

In the course of the last quinquennium i.e. from 1965-66 to 1970-71, the amount of total loans outstanding increased from Rs 427 crores to Rs 784 crores which was almost double. In subsequent periods, too, societies made the persistent efforts in channelling the funds for agricultural purposes. Expansion in short term credit is conspicuous as compared to medium-term loans, signifying, therefore, that their activities are mainly confined to advancing of loans for seasonal purposes, which are usually of recurring nature. Normally advances are granted by the societies mainly for purchase of seeds and fertilizers, which constitute, according to Table VI, about 90 per cent of the total short-term advances. The remaining share of 30 per cent goes to other purposes like purchase of implements, marketing of crops, processing of goods, etc. In the case of medium term-loans, major share of funds is directed towards unspecified agricultural purposes, moreover, such advances are granted even for non-agricultural purposes.

Another important feature of the primary agricultural credit societies is their special preference for medium and big farmers, as the sizeable chunk of their funds is purveyed for meeting their credit needs. This is discernible from a cursory perusal of Table VII which indicates that hardly 12 per cent of their total loans and advances were granted to the weaker sections of the agricultural sector including agricultural labourers. The reason generally ascribed to such inclination is their practice of security-oriented lending which is justified on the ground of strengthening their financial health. This is, however, contrary to the very spirit of the Venketappiah committee[15] which pertinently recommended, that "short-term production credit should not be made dependent on the borrower's ability to provide mortgage security and, therefore, there should be no arbitrary and unduly low ceilings on the amount which may be provided against personal sureties."

Despite these inherent drawbacks, their achievements from 1965-66 onwards is commendable even when there is a growing competition with commercial banks. The day is not far when they will be raised to the

TABLE V

Loans Outstanding

(Rs in crores)

Year	Short-term	Medium-term	Total
1960-61	...	...	218
1965-66	356	71	427
1970-71	647	137	784
1971-72	696	162	858
1972-73	721	258	979

TABLE VI

Purpose-wise Distribution of Loans

(Rs in crores)

Purpose	1971-72	1972-73
A. Short Term:		
1. Seeds and Fertilizers	485.80	554.77
2. Implements	6.60	5.94
3. Marketing of Crops	19.32	19.25
4. Processing	4.60	3.46
5. Industrial Purposes	0.20	0.38
6. Consumption	5.24	6.12
7. Other Purposes	19.09	22.83
Total	540.94	612.75
B. Medium-Term		
1. Sinking and Repairing Wells	9.10	11.44
2. Purchase of Machinery	11.06	13.50
3. Purchase of Cattle	12.47	10.78
4. Minor Land Improvements	4.29	5.11
5. Other Agricultural Purposes	21.87	71.74
6. Other Non-agri. Purposes	14.79	50.77
Total	73.58	163.34
Grand Total (A+B)	614.52	776.09

status of rural banks, provided they maintain the same zeal and momentum.

Primary Land Development Banks: As recounted earlier, long-term capital investment in agriculture is also needed for the improvment of farm capital assets like land, machineries, etc. Funds for capital investment are needed for a longer time and in larger size which make it imperative to have a separate institution within the structure of cooperative credit. Such institution at a village level is a primary land development bank which grants loans and advances for individual farmers for specific purposes like desilting and digging of wells, purchase of farm machines, conversion of dry lands into wet, etc.[16] These banks lend funds against the security of lands.

dormant state

Like primary agricultural credit societies, these banks which were formerly known as land mortgage banks, were in the state of dormancy till 1960-61 when their total advances were of the order of Rs 24.66 crores. In the subsequent quinquennium i.e. from 1960-61 to 1965-66 their lending operations shot up to the level of Rs 124 33 crores registering the net increment of about 400 per cent. There was commendable expansion in their loaning business particularly during 1965-66 to 1970-71. Over the period of one decade primary land development banks raised the supply of total credit by 20 times.

TABLE VIII

Long-Term Agricultural Credit

(Rs in crores)

Year	Loans Outstanding
1960-61	24.66
1965-66	124.33
1970-71	448.27
1971-72	516.30
1972-73	446.82

In order to intensify and expedite the financing activities of PLDBs, the committee, constituted by the Reserve Bank of India in March, 1973 under the chairmanship of K. Madhav Das, recommended in its report, submitted in December, 1974, that "the diversification of loaning operations and linking of the targets of lending of LDBs to specific schemes of agricultural development in each state are of considerable importance."[17] In this connection, it laid much emphasis on mobilization of rural savings and routing of loans through primary agricultural credit societies. The committee strongly deprecated the practice of accepting the mortgage of land for security of loans so granted, as it is contradictory to the basic features of the production-oriented lending system expected to be followed by them. Adherence to these recommendations by PLDBs will help create a new climate and enable them to meet the mounting demand for credit consequent on the steady transformation of agriculture.

TABLE VII

Class-wise Distribution of Loans

(Rs in crores)

Class	1971-72	1972-73
A. Owner Cultivators		
Upto -- 1 Hectare	60.11	71.84
1 – 2 Hectares	100.42	144.35
2 — 4 Hectares	159.53	197.19
4 -- 8 Hectares	141.46	183.06
8 — Above	107.57	127.59
B. Tenant Cultivators	15.83	16.30
C. Agricultural Labourers	4.78	8.97
D. Others	2.17	2.73
Total	614.52	776.09

Government : Long before the emergence of credit institutions the government entered into the field of rural credit in the form commonly known as Taccavi Loans under the provisions of the Land Improvement Act, 1883 and the Agriculturists Loans Act, 1884. The literal meaning of Taccavi (tagai) is strengthening, assisting or corroborating, but according to the official documents compiled in 1885, it implies the advance of money made by the government to cultivators at the time of sowing and recovered at the time of reaping. The Royal Commission on Agriculture had justified it in these words, "In normal times, the village moneylender seems to have met the normal needs, but in times of severe drought or widespread calamity, his resources proved unequal to the strain upon them, and long before the British acquired control, the rulers of the day were accustomed to grant loans to the cultivators of soil".[18]

However, Taccavi loans are sanctioned for the following purposes:[19]

1. Purchase of seeds, manures, fertilisers and cattle,
2. Bunding and levelling of lands,
3. Undertaking soil conservation works,
4. Digging and repairing of wells,
5. Installations of pumpsets, persian wheels, etc,
6. Construction of irrigation channels,
7. Reclamation of waste lands,
8. Purchase of agricultural implements and machinery,
9. Adoption of improved agricultural practices,
10. Adoption of plant protection measures,
11. Establishment of orchards,
12. Purchase of fodder for cattle,
13. Maintenance of cultivators while

engaged in sowing and tilling their lands, and

14. Undertaking rapairs and reconstruction of houses damaged by floods, etc.

Since the funds for taccavi loans are allotted from the budgetary resources of the state governments, more often than not the amount is inadequte and exiguous. The amount of Taccavi loans disbursed by the state governments under different plans, as shown in Table IX, was no doubt increasing in consecutive Plans, yet its size in total agricultural credit was as little as a mole to a hill. The limited provision in budgets is a deliberate act of the state governments because it is to be purveyed in times of abnormal conditions, and moreover, financing of agricultural activities of cultivators is not the business of the government.

stringent conditions

The cultivators are also not much keen to acquire such loans from the government, specially because the terms and conditions attached with Taccavi loans are stringent and complicated. In addition to this, "the disbursement arrangements are insufficient and involve incidental delays"[20]. It is no longer regarded as an important source of agricultural credit in the country.

TABLE IX

Taccavi Loans During Plans

(Rs in crores)

Plans	Amount
First	18.5
Second	41.0
Third	55.0
Fourth	62.5

Although the Venketappaih Committee suggested certain measures for the improvement of Taccavi loans system in the country, it ultimately advocated for the discontinuance of the system in these words, : "This should, however, be considered as a purely temporary and limited arrangement and a date should be fixed in each state beyond which no Taccavi should be provided except to meet situations of widespread distress such as floods and famines.[21] In spite of its immateriality the governments are neither inclined to discontiune the system nor interested in channelling the funds as advocated by the Gadgil Committee, 1944.

Commercial Banks : Prior to their nationalization, reluctance of commercial banks in providing loans for agricultural purposes was proverbial. In the post-nationalisation period, which synchronised with the period of the fourth five-year Plan envisaging heavy additional capital investment in agriculture, and in turn, entailing credit requirements of an order admittedly beyond the capacity of cooperative sector, commercial banks emerged on the rural scene by opening branches to cater for credit requirements. The government of India and the Reserve Bank have taken a number of measures to help them to expand their activities in financing of agriculture and also to eradicate the impediments experienced by them. Some of the important measures are[22] :

(a) Lead bank scheme and branch expansion,

(b) Guarantee for small loans,

(c) Guidelines for financing agriculture.

(d) Refinance from the Reserve Bank, and

(e) Differential rates of interest.

On the recommendations of the Study Group of the National Credit Council and the Nariman Committee, the Reserve Bank of India introduced the 'Lead Bank Scheme' according to which every district in the country was allotted to one or another scheduled commercial bank and was known as the lead bank of that district. The basic function of the lead bank is to measure the agricultural resources and potentialities and estimate the credit requirements including those of weaker sections and backward areas in the district. It is imperative not only for the efficient dispensation of credit but also for mobilization of resources. "The bank is required to act as the consortium leader and after identifying growth centres and areas suffering from credit gaps, it has to involve other banks operating it the same area in the programme of banking and economic development."[23]

When commercial banks are saddled with new and growing responsibilities of expanding agricultural credit and developing banking habits among the rural masses, geographical dispersal and expansion of branches are inevitable. However, this programme received a great impetus since the nationalization, as may be witnessed from table X. The remarkable growth in the number of bank offices altered the spatial pattern of distribution on account of 50.1 per cent increase in the number of rural offices, as against 20.4 and 29.5 per cent rise in the numbers of semi-urban and urban offices respectively. It appears that the average coverage of population per bank office, which was about 65,000 in 1969, is reduced to 25,000.

Following the recommendations of the working group appointed by the government of India under the chairmanship of S.S. Shiralkar to formulate a scheme to protect the interests of the banks for the risk involved in the

TABLE X

Centre-Wise Distribution of Commercial Bank Offices

Year	Rural	Semi-Urban	Urban	Total
Number at the end of June				
1969	1832	3322	3108	8162
1970	3062	3695	3374	10131
1971	4279	4016	3718	12013
1972	4814	4385	4423	13622
1973	5561	4723	5078	15362
1974	6175	5094	5667	16936

agricultural financing, Credit Guarantee Corporation of India Ltd, was established to pool their risks and cover them by a common and centralised guarantee scheme, which was formulated in April, 1971.

According to the scheme, the loans advanced to farmers and other priority sector ventures, was covered by the guarantee provided by the Corporation Formerly the loans amounting Rs 1000 for seasonal agricultural operations, and Rs5000 for capital expenditure were covered by the guarantee of the Corporation. A guarantee fee of one half of one per cent is charged on the amounts outstanding on account of eligible credit facilities.

Later on, in December 1971, the corporation liberalised its secheme by extending cover to a larger number of eligible borrowers and loans. Even the purposes covered under the scheme for agricultural credit were further extended including cultivation of crop and agricultural development schemes.

refinancing facility

In order to induce commercial banks to advance loans for agricultural purposes, the Reserve Bank of India has rendered refinancing facility, according to which the additional advances sanctioned by commercial banks for seasonal agricultural operations is refinanced by the bank. The policy of refinance, the contents of which are subject to change in accordance with agro-conditions obtaining in the country, has a salutary effect on augmenting the credit dispensation by commercial banks.

The suggestion for adoption of differential rates of interest especially when the income inequalities among the agricultural borrowers are glaring, was mooted by the government of India in the larger interests of weaker sections. Accordingly, the Reserve Bank of India appointed a committee which examined the question of differential rates and suggested the linkage of the scheme with the credit guarantee scheme for covering small loans by the borrowers of agricultural and other priority and neglected sectors. The committee recommended the range of rates varying from 8½ per cent to 10 per cent. The borrowers who are economically weak i.e. whose income does not exceed Rs 1200 if residing in rural area, or having agricultural land not exceeding one acre of irrigated or 2.5 acres of unirrigated, are made eligible for concessional rates of interest under the scheme. However, loans under the scheme are provided for working capital not more than Rs 500 and fixed capital upto Rs 2500. Such concession is an additive factor in popularizing the services of commercial banks in rural sectors.

state enactments

While entering the rural sector, commercial banks encountered the problems arising out of numerous state enactments relating to the rights of transferability through sale or mortgage, agricultural debt relief and regulation of money-lending, the imposition of land ceiling, land reforms, etc. To examine these problems and recommend measures for simplification of procedures and for improving the participation of commercial banks in agricultural development programmes, an expert group was appointed by the Reserve Bank of India under the chairmanship of Mr R.K. Talwar, in September, 1969. While submitting its report in December 1970, the commitee felt that in order to enable the commercial banks to "cater for the credit requirements of as large a number of agriculturists as possible, certain restrictive features of the various state enactments, particularly those relating to right of alienation in land or interest therein need be removed."[24]

The following is the summary of some of the important recommendations of the Talwar committee:

Cultivators who have no rights or have only restricted rights of alienation in their lands or interests—such as landholders belonging to scheduled castes/tribes, backward classes/castes, tenent-cultivators, fragment holders, allottees of Bhoodan land and of government land — should be vested with rights to alienate land/interests in land held by them in favour of banks for the perpose of obtaining loans for agricultural purposes.

general principle

The general principle of priority as between institutional credit agencies in regard to loans based on common security, should be as adumbrated in the Transfer of Property Act, 1882. This will ensure that the concept of first charge in favour co-operatives does not adversely affect commercial banks. However, all institutional agencies should have priority of charge vis-a-vis private credit agencies.

To overcome the prolonged delays involved in securing registration of mortgages created in favour of commercial banks, it is necessary to provide that it would be sufficient if a copy of the mortgage deed is sent for registration to the sub-registrar. The mortgage so created should also be noted in the record of rights.

To facilitate prompt recovery of dues of commercial banks without having resort to protracted and time consuming litigation in civil courts, the state governments should empower an official with authority to issue an order, having the force of a decree of a civil court, for payment of any sum due to a bank by sale of the property charged 'mortgaged in favour of the bank.

Cultivators borrowing from commercial banks should be exempted from payment of stamp duty, registration fee and charge for issue of non-encumbrance certificate to the extent to which they are eligible for these concessions if they borrow from cooperatives.

In addition to these and several other recommendations, the committee took great pains in modelling a bill, namely The Agricultural Credit Operations and Miscellaneous Provisions (Banks) Bill, 1970 to incorporate some of the provisions recommended in the main report. Some of these recommendations were incorporated in the state enactments.

Removal of some legislative barriers, provision of substantial financial resources together with concessions have finally accelerated the pace of credit dispensation by commercial banks. The performance of commercial banks in farm financing can be judged with reference to the flow of bank credit in agricultural sector and the pattern of advances. It is evident from Table XI, that their total advances during the post-nationalisation period swelled from Rs 162.20 crores in 1969 to Rs 585.68 crores in 1974 registering three and a half times rise over 1969. Progress in performance is really laudable if viewed in the light of legislative impediments, administrative inexperience and growing competition with credit societies and private money lending business in rural and farm sector. However, relative share of agricultural advances to aggregate bank advances evinces a spurt in the year following nationalization and a slow but steady rise in subsequent years.

direct financing

Expansion in direct finance recorded a phenomenal rise in contrast to indirect finance. "After nationalisation, commercial banks made excellent progress in providing direct finance to cultivators.[25] Formerly, prior to nationalization banks gave loans, mostly in the form of indirect finance. In this context, Singh and George reported that about 33.50 per cent of the loans were given to state electricity boards and about 28.56 per cent had gone to finance processing and marketing indicating banks' preference for safe and secure investments.[26]

Grant of advances to farmers at such a scale is certainly an indication of their preference to commercial banks. While studying the effectiveness of commercial banks, C. Dinesh[27] concluded: "The farmers were going to commercial banks mainly due to quick and personalised services rendered by the bank. Besides, good banking facilities provided by the commercial bank was another attraction. Thirdly, each borrower was dealt with on the merit of the case which was not being done by the cooperatives." Thus, public sector banks have been playing a leading and effective role in credit dispensation to the agricultural sector.

small man ignored

Despite the remarkable extension in agricultural loans in yester years, the institutions whether cooperative societies or commercial banks, more often than not, have ignored the small and marginal farmers due to the security-oriented loaning policies of the former. It is admittedly recognised that "under the present lending system where the viability of the farm and repayment capacity are the main criteria of creditworthiness, there is the danger of the small farmer being bypassed by the credit institutions, unless special steps are taken.[28] In this context, the All-India Rural Credit Review Committee being quite conscious of their problems recommended the establishment of separate agencies for rehabilitation of small and marginal farmers including agricultural labourers.

marginal farmers

Following the recommendations of the committee, the government of India set up Small Farmers Development Agency (SFDA) and Marginal Farmers and Agricultural Labourers (MFAL) agency for identifying their problems and providing financial assistance for their economic betterment. Under the scheme 46 SFDA projects and 41 MFAL projects were sponsored covering 54 districts mostly belonging to backward regions. About 50,000 and 20,000 families are expected to come under the fold of SFDA and MFAL respectively. However, by the end of 1974 both the schemes had inclusively identified 30.25 lakhs and 14.04 lakhs of small and marginal farmers together with agricultural labourers. These identified farmers and workers have been brought under the cooperative fold and have been granted financial assistance through loans and advances, by cooperative societies and commercial banks. Substantial cooperative loans are obtained by these agencies as may be witnessed from

TABLE XI

Advances by Public Sector Banks (Rs. in crores)

Year	Direct Finance	Indirect Finance	Total	Aggregate Advances	Per cent Col (4) to Col (5)
1	2	3	4	5	6
At the end of June					
1969	40.20	122.09	162.20	3016.76	5.5
1970	160.38	141.26	301.64	3577.60	8.2
1971	206.37	134.59	340.96	4079.76	8.1
1972	231.89	156.58	388.47	4622.00	8.4
1973	297.86	170.83	468.69	5430.00	8.6
1974	391.58	194.10	585.68	6563.00	8.9

Table XII because they are more akin to the cooperative field.

During the period of three years, i. e. from 1972-73 to 1974-75, loans from cooperative societies increased from Rs 54.05 crores to Rs 87.16 crores recording the increment of about 61.3 per cent. As against this, percentage rise in loans from commercial banks comes to 268.7 per cent, indicating their growing inclination towards bank loans. Undoubtedly, the prevailing institutional credit structure is quite responsive towards the problems of small farmers and agricultural workers but what is needed is that they should induce these weaker sections in adopting modern technology and improved practices. Thus, "SFDA and MFAL are basically micro-level development programmes with credit serving as a catalyst."[29]

new orientation

In the regional seminar for Asia on Agricultural Credit for Small Farmers held in Bangkok, in October, 1974, it was expressed that it may be often desirable to give a new orientation to the existing institutions under the pressing social and economic needs, through appropriate policy changes."[30] But multi-agency approach, if it is well integrated with the total system of credit, will be potentially an important means of carrying out sound rural credit policy. In this light the government of India, promulgated an ordinance on September 26, 1975 to establish the regional rural banks in the country. In its preamble, it is stated that "with a view to developing the rural economy by providing, for the purpose of development of agriculture, trade, commerce, industry and other productive activities in the rural areas, credit and other facilities, particularly to the small and marginal farmers, agricultural labourers, artisans, and small entrepreneurs the regional banks are to be established.

According to section 3(2) of the ordinance, a regional rural bank will be a separate corporate body which will be sponsored by any other bank in the country. The sponsored bank is required to contribute share capital and should provide the facilities for recruitment and training to those regional banks. Although the authorised capital of the bank is stipulated to be Rs 1 crore the issued capital for each regional bank will be only Rs 25 lakhs, which will be subscribed in the following manner:

1. Central government	50 per cent
2. State government	15 per cent
3. Sponsored bank	35 per cent

The authority of increasing the issued share capital without altering the above proportion is vested in a board of directors, which is responsible for general superintendence, direction and management of the affairs and the business of a regional bank and is consisting of the chairman and other members representing the agencies as below:

1. Central government	3
2. State government	2
3. Sponsoring bank	3

The ordinance has clearly spelt out the business to be transacted by the regional bank vide section 18(2), namely

(a) the granting of loans and advances particularly to small farmers and marginal farmers as well as to agricultural labourers and other agricultural cooperative societies; and

(b) the granting of loans to artisans and entrepreneurs and persons engaged in trade of small in size, within the notified area.

This ordinance was replaced by an Act, of Parliament, Regional Rural Banks Act 1976 (No. 21 of 1976). Upto March 12, 1976, eleven RRBs have been set up in various states. Thus, the government has added a new dimension to rural credit which is a propitious move in the circumstances when the private agencies have been made defunct and there is no other means for farmers to secure credit.

In a nutshell, the system of rural credit has undergone radical changes since the nationalisation of commercial banks which subsequently started participating in agricultural lending, as a result of which individual moneylending agencies began to disappear from the rural scene. Establishment of SFDAs and MFALs, amalgamation of primary agricultural credit cooperative societies, reconstitution of primary land mortgage/development banks, lead bank scheme, etc, and the recent measures under 20-point economic

TABLE XII

Borrowings of SFDAs and MFALs (Rs. in crores)

Type of Borrowings	1972-73	1973-74	1974-75
A From Cooperatives			
i. Short Term	29.62	16.83	21.57
ii. Medium Term	6.38	10.20	22.10
iii. Long Term	18.05	15.00	43.49
Total	54.05	42.03	87.16
B. From Commercial Banks			
i. Short Term	1.73	1.52	2.69
ii. Term Loans	3.06	8.75	15.00
Total	4.79	10.27	17.69
Grand Total	58.84	52.30	104.85

programme will, by all means, help bridge the abysmal gap existing between supply and demand of credit which is mounting every year on account of improved technology and mechanisation of agriculture. If all the agencies keep up the same zeal and zest, there is no reason why the credit needs amounting to Rs 5000 crores during the fifth Plan will not be catered for by these institutions.

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WINDOW ON THE WORLD

The other energy crisis

Erik P. Eckholm

For the silent majority in the world the real energy crisis is not the high price of oil but the acute shortage of firewood.
Erik P. Eckholm reports on the forgotten fuel crisis which now afflicts a third of the world's people and which could become the major ecological disaster of the century. Erik P. Eckholm is a researcher with the Worldwatch Institute in Washington D.C. and the material for this feature is drawn from his book "LOSING GROUND" (W.W. Norton and Co., 1976).

A LONG line of people, bent double under the heavy weight of firewood stacked on their backs, toiled down the road to Kathmandu. A rough harness of sacking stopped their backs being rubbed raw by the swaying bundles. "How much will they get for the wood?" I asked my taxi-driver. "Oh, firewood. A very expensive item," he exclaimed in a tone of a man explaining the obvious to the uninitiatied. "A load like that will sell for 20 rupee in town this morning. Two years ago, you could buy it for only six or seven rupees."

The line of people, men, women, children and even the very old, continued on towards the Nepalese capital.

firewood shortage

This scene set against the backcloth of Mount Everest, is a glimpse of a larger drama now being enacted on a stage spanning three continents by a cast of millions in the developing world. It is the other energy crisis—the firewood shortage.

One third of the world—more than a billion people in Africa, Asia and Latin America—still depend on firewood for cooking their food and heating their homes. And as their population has risen, the trees have fallen, and firewood has become desperately scarce. For some villages here in the once heavily forested foothills of Nepal, the job of collecting firewood has changed from being the chore of an hour or two to the labour of a day. In Upper Volta, West Africa, all the trees within a 70 kilometre radius of the capital city have been consumed for fuel.

treeless landscape

In Bolivia and Peru, the slopes of the Andean valleys are nearly treeless. In the Philippines, over half the forests have been destroyed in the last fifty years alone. In northern Nigeria, the citizens of Kano are consuming 100,000 tons of firewood a year and three-quarters of it is coming from the area within 20 kilometres of the town itself. In India, firewood scarcity is so accute that special guard-squads and mobile courts have been set up to combat 'tree-poaching' in legally protected areas. And farmers who once allowed their landless labourers to collect wood free from their land are now cutting the trees for themselves and trucking it to the nearest town for sale. Even in China, young trees on commune plantations are sometimes uprooted to cook a meal.

For people who already live on the poverty line, this fuel crisis does not mean leaving the car in the garage on Sundays or turning down the central heating a few degrees.

Firewood is a basic need. And paying more to buy it or travelling further to get it means cutting down on other basic needs such as food or clothes and having less time and money left over to invest in a better future.

In Niamey, Niger, deep in drought-stricken Sahel, the average manual labourer's family is now spending one quarter of its income on wood. In Upper Volta, the fraction is often nearer a third.

Those who cannot afford to pay the price have to trek into the surrounding countryside--often a day's journey on foot—to find the wood. More often, they scour the villages and cities for garbage or anything else that will burn. When I visited the Chief Conservator in Pakistan's North West Frontier Province, he told me that he had got out of his car the previous evening to stop a woman from peeling the bark off a roadside tree. "I told her that it was like peeling the skin off a man" he said. "Of course she stopped—intimidated by what was probably the most personal encounter she will ever have with such a senior official. But no doubt she carried on when I drove off. For what else could she do?"

indiscriminate use

Half of all the trees cut down in the world every day are being used for the age-old purpose of cooking and heating. The other half are being destroyed mainly by the overgrazing of animals and the 'slash and burn' techniques of shifting cultivation. Forests are being felled to make way for peasant farmers and cash-crop plantations in West Africa; for new roads and airstrips in Brazil; for expanding urban areas in Nigeria; for charcoal-making in Kenya, Tanzania and Somalia; for timber exports in Indonesia.

Trees are a renewable resource when forests are carefully harvested and replanted—but instead they are being exploited as if there were no tomorrow.

The first casualty of this war on the world's trees is the soil. Trees preserve the soil's stability and fertility, retaining moisture and preventing erosion by wind and water. Do away with the trees and the cycle is thrown into reverse. The land becomes barren and brittle. The precious top-soil starts blowing in the wind and swirling away in the rains. Water begins to run off the hard denuded landscape rather than soaking in. The predictable drought sets in and a man-made desert is the result. This is what happened in the Dust Bowl Years in the Great Plains of the United States in the 1930s, and this is what is now happening, for example, around the huge Rajasthan desert in north west India, in the mountain valleys and almost treeless plains of central and southern America, and in the semi-arid regions of Sahelian Africa. In the Sahara, the retreat of the tree and the destruction of vegetation by over-grazing is allowing the desert to advance southwards bringing with it drought and famine.

soil erosion

In the last hundred years, water and wind erosion have destroyed an estimated 5,000 million acres of soil—the equivalent of one quarter of the earth's farmlands.

Soil is suffering in quality, as well as in quantity, because of the firewood crisis. In India, Pakistan, the Sahel, Egypt, Ethiopia, Iraq, Bolivia and Peru, the firewood shortage is forcing millions of poor families to use dried animal dung for fuel instead of using it to fertilise the land. It is a short-term necessity but a long-term disaster. For animal dung provides an essential plant nutrient. And the 300-400 million tons of dung now being burned as fuel in India alone is equal to one third of the country's fertiliser use. Prehaps even more important, the dung preserves the soils quality and structure. Without it, the land is even more prone to erosion and drought.

The whole length of the Himalayan foothills, from Afghanistan in the west to North Pakistan, India, and Nepal and Burma in the east, is now in the grip of this pincer movement—as the soil suffers both from dung-burning and from tree-felling.

silt formation

The next casualties are the irrigation and water-works. The soil washed off the unprotected hillsides is relocated as silt in Asia's rivers, affecting marine life and fisheries, clogging up expensive reservoirs and blocking vital irrigation systems. The silt inevitably reduces the carrying capacity of the rivers and increases their propensity to flood their banks.

At a time when every acre of cultivateable land is precious, the firewood crisis is leadidg to the impoverishment of vast areas of land and to increases in drought and floods.

Finally, there are the forgotton casualties of the forests. The natural habitat of many birds, animals and insects is being destroyed and the natural migration of the forest creatures is being interrupted.

Already, over 1000 species of wild life are threatened with extinction—and the forests are home to many of them. Much still remains to be learned about the complex and delicate ecosystems of the forests. We do not know what we are destroying or what the consequences may be. But we do know that the very air we breathe is dependent on the world's vegetation, including trees. A single hectare of woodland takes 3.7 metric tones of carbon dioxide out of the atmosphere and returns two metric tons of oxygen each year. Massive deforestation may affect the atmosphere and climate of the planet. At the moment, both these issues are being studied by experts at the World Meteorological Organisation in Geneva.

What can be done to halt the trend? Mass tree-planting is an obvious but not an easy answer. The sheer scale of such an operation, the difficulty of protecting newly planted trees from forraging animals, tree-poaching and those with an immediate and desperate need for firewood, all combine to make reforestation easier said than done. There is also a political reality to contend with. Governments, hard pressed by other priorities, are not eager to initiate programmes which will take decades to bear fruit in the form of either leaves or votes.

Side by side with re-planting schemes, alternative fuels are also urgently needed to take the pressure off poor people struggling to find firewood and, in so doing, to also take the strain off the forests. The main hope—kerosene—withered with the increase in oil prices.

alternate fuel

At the moment nothing could solve the problem more quickly than a cheap device for cooking the evening meal with solar energy collected during the day. But the technical problems of cheap heat storage are formidable. Little research and investment is being attracted to such a humble project.

Indian scientists have been experimenting for over ten years with a bio-gas device which breaks down manures and other organic wastes to release methane gas which can be used for cooking whilst leaving behind a rich compost for the farm land. Over 8,000 of these 'bio-gas' plants are now in use in India. But without a substantial reduction in cost and technical complexity, they will only slowly infiltrate the half million villages of that subcontinent. A tiny fraction of the research now devoted to armaments could almost certainly help make the vital breakthrough and enable solar stoves and bio-gas cookers, or combinations of the two, to be made cheaply and locally.

The United Nations Environment Programme is working on this problem. Trials with combinations of three alternative sources of energy — solar, wind and bio-gas—are now underway with UNEP help. In 1977, UNEP will also hold a World Conference on Desertification. Shifting cultivation, over-grazing, and the cutting of trees for fuel have been identified as driving forces behind the alarming advance of deserts and will be high on the conference agenda.

Planting and protecting new trees and finding alternative fuels is essential to take the strain off people, trees, soils and water systems. The march of deforestation has to be halted if a serious ecological disaster, affecting the lives and livelihoods of people, is to be averted.

Expanding economic horizons for India and Iran

Raj Narain Gupta

Mr Raj Narain is the author of "Iran—An Economic Study" which earned him an 'Order of Recognition' and a 'Gold Medal', from the Iranian government in 1950. In this article, he has listed the areas in which, in his view, collaboration between the two countries can be fruitfully executed in the next few years.

THERE ARE hardly peoples of two countries in the world today, said Jawaharlal Nehru in his well-known book 'Discovery of India', who, both in their origin and subsequent peaceful cultural intercourse, have been so close to each other as India and Iran. The relations between them precede even the beginnings of the Indo-Aryan civilization. And yet, if history has proved anything it is this that one can no more depend on past cultural, racial or religious bonds for continued and developing friendship between any two countries. Each country produces entirely new situations and each generation must forge its bonds afresh, specially in the fields of trade and commerce, technological exchanges and industrial collaborations. These are the new bonds that bind countries in closer friendship, for mutual benefit, than episodes of long common history and culture.

There is no doubt, therefore, that in the recent mutual exchange of visits between the high political dignitaries of the two countries, including their prime ministers, utmost stress has been laid on the development of closer economic contacts, expanding trade relations and negotiation of joint ventures. Viewed in this context the significance of the recent visit of Mr Fakhruddin Ali Ahmed, our president, to Iran becomes quite obvious. While fulsome references to India and Iran's ancient historical and cultural relations were made in welcome speeches and official banquets, the hard core negotiations between their accredited representatives are now invariably confined to more mundane matters of trade and commerce and economic and technological collaborations.

That India and Iran are the two rising and economically invincible nations in the Third World is a fact which is obvious to any discerning eye. The progress made by India, since independence, specially during the last decade, despite unprecedented challenges and strains posed by the 'partition' of the country, communal holocausts, recurrent droughts, wars with China and Pakistan and fight against vested interests has confounded even the worst critics of this country. From an exporter of raw materials and importer of all kinds of manufactured goods, even sewing needles and oil pins, the country now produces the most sophisticated electronic equipment, computers and calculators, aeroplanes and modern ships, engineering goods and basic chemicals, atomic, radar and defence equipment, railway locomotives and massive power stations, machines and precision tools and consumer goods of every description. And, all these results have been achieved within the democratic framework of an enlightened constitution, coupled with a social and economic revolution under which the underprivileged and backward sections of the community, are receiving much favoured treatment to bring them at par with the rest of the people.

Imports & Exports from India to Iran (in Rs. Crores)

Year	*Imports*	*Exports*
1961-62	74·6	7·0
1965-66	53·7	9·4
1970-71	91·6	26·7
1971-72	126·4	19·8
1972-73	121·4	24·8
1973-74	267·6	42·7
1974-75	472·6	210·0
1975-76 (first six months)	211·8	145·6

Under the inspiring, enlightened and dedicated leadership of His Imperial Majesty, Mohammed Reza Pahlavi, the Shahanshah of Iran, a similar socio-economic revolution is taking place in that country. This revolution also aims at doing away with feudalism and introducing an egalitarian social order. An obvious advantage which Iran enjoys over India consists in her phenomenal reserves of oil, the liquid gold, which now, after the four-fold increase in prices, yields her revenue of over 100,000 million dollars per annum. Iran desires a rational deployment of these resources for internal development, raising the standard of living of her people, gaining strategic strength and helping the economies of developing countries with a view to creating a peace zone in the Indian ocean, free from the rivalries of big powers, and wedded to economic unity.

serious problems

The translation of these goals into action, in the face of trained manpower bottleneck, managerial inexperience, technological inadequacy and the desire to achieve spectacular results within the shortest possible time, pose serious problems. The Shah, therefore, desires that India with her vast trained manpower and rich industrial infrastructure, may come to Iran's aid and help it in carrying out her ambitious development programmes. Iran is also taking the help of other developed countries such as the USA, the USSR, W. Germany, Japan and France in the implementation of her development plans, but, she feels that, any help from India is more welcome because of her non-aligned status and the availability of her skilled and professional manpower at much lesser cost.

Iranian and Indian needs appear therefore to be complementary. Iran possess superior financial resources, while India has trained engineers, qualified technocrats and advanced technology. It is for this reason that the two countries find it of mutual advantage to enter into treaties of trade and commerce, exchange of technical personnel, training facilities, industrial collaborations, joint ventures and economic understanding. Mutual economic interests are thus further cementing the traditional bonds of friendship and goodwill that have subsisted between the two nations since time immemorial.

Though archaeological excavations in eastern and western Iran (Sistan, Makra, Elam, Fars etc) and India (Valley of Indus, Sutlaj and Saraswati) have revealed the existence of considerable trade between the two countries in ancient times, the fact remains that it was largely confined to a few items consumed by the elite such as gold, pearls, textiles, spices, scents, objects of art and luxury goods. In recent years both the range and value of items exchanged between the two countries have greatly increased.

India now exports to Iran, not only traditional items such as cotton and jute manufacturers, tea, sugar and spices, but non-traditional items such as iron and steel, cement, non-ferrous metals, vehicles, transport equipment, engineering goods, cycles, tubes and tyres, electrical cables, lamps, motors, hardware, chemicals, toilets, paper, electrical goods, crockery, stationery, sewing machines, fishing boats, engineering goods, basmati rice and light machinery. In return India imports from Iran mineral oil (about 80 per cent of total trade), carpets, rugs, skins, furs, fruits, nuts, gums, resins, drigs and spices etc.

The value and volume of both exports and imports has been going up over the years. Till about the sixties, the value of India's exports to Iran amounted only to about Rs 60 million and imports to about Rs 400 million. During the last few years, these have increased many-fold. India's exports to Iran in 1974-75 amounted to Rs 2100 million and imports to Rs 5000 million. The two countries extend to each other the 'Most Favoured Nation' treatment. In fact, the prime minister of Iran, Mr Amir Abbas Hoveyda, who visited India in May last said, 'Sky is the limit for the development of trade between the two countries'.

At present India's share in Iran's total imports amounts to only about two per cent. It can go up many-fold provided we can assure quality of our products and stick to delivery schedules. The vast added oil revenues have created a massive demand for all kinds of capital goods, intermediate raw materials and consumer goods in Iran, particularly goods needed for the industrial infrastructure such as transmission equipment, material handling equipment, rubber products, synthetic materials, building hardware and the like. The list is formidable, provided Indian businessmen can compete in quality and business dealings with European competitors and Japan. The prospects for further development of trade are, therefore, highly propitious.

Already India and Iran are collaborating with each other in a number of joint projects such as the Madras Oil Refinery and fertiliser plant, the Irano-Hind Shipping Co., the working of the 7.5 million-tonne Kudermukh iron ore project in Karnataka and the 300,000 tonne annual capacity alumina plant in Gujarat. Some joint industries have also been set up by private Indian entrepre-

IRAN—Some Basic Facts

Area : 1648 Thousand Square Kilometres
Population : 31 million
Density (No. of persons per Sq. Km.) : 19
Annual rate of increase in population (1958-65) : 2·5 per cent
Growth Rate in G.N.P. in 1974-75 : 40 per cent at constant prices
Estimated per capita National Income in 1974-75 : 1000 dollars per annum
Estimated per capita National Income in 1977-78 (end of Fifth Plan) : 1500 dollars per annum
Target for G.N.P. per capita at the end of Sixth Plan (1978-83) : 2300 dollars per annnm
Income from Oil in 1974-75 : 15,000 million dollars
Expected income from Oil in 1978 : 102,000 million dollars

neurs in Iran such as those for the manufacture of trailers, cycles, hose pipes, electric motors and transformers, automotive parts and non-ferrous metals etc.

As a result of the recent visit of our president to Iran and of Iranian prime minister to India it is hoped that plans for collaboration in the setting-up of a large number of petro-chemical, fertiliser, iron and steel, machine-building and engineering goods industries, etc., the negotiations for which are already in advanced stages, will be finalised, and the economic collaboration between the two countries will achieve new dimensions.

One important field in which the two countries can benefit from each other's collaboration relates to the oil industry. India's requirements of mineral oil, which have remained almost static during the last two years because of the hefty increase in prices but are likely to go up by about 10 per cent annually due to economic compulsions, may amount to about 24 million tonnes in the current year. Of this India produces at present about 8.5 million tonnes (excluding the promising supply from Bombay High). For the rest of her supply, India has to depend largely on middle east oil. Iran, one of the most important producers of oil, and an invaluable friend of India can enter into a long-term agreement with India for an assured supply of this material at concessional rates and easy terms of payment.

The detailed negotiations on oil and other trade aspects may take some time to fructify, but it is hoped our president's visit to Iran would have opened up a new chapter in the direction of expanding new horizons on the economic front.

Seychelles is a republic

K.S. Ramanujam

On June 29, 1976 was born a new independent republic—Seychelles an archipelago of about 90 islands in the Indian Ocean—the total population of which is mere 60,000. K. S. Ramanujam, our representative in Madras, describes his experiences during a recent visit to the islands.

IT WAS my unexpected privilege to spend 30 hours in the lovely Mahe island where most of the 60,000 *Seychellois* live. This happened only last month, on June 12 and 13, when I was returning to India from Nairobi after a six-week tour of South Africa. Many facts about Seychelles are not widely known, especially in our country where, until now, there has been very little or no publicity for this lovely spot.

First, these islands are of incomparable beauty. Archbishop Makarios of Cyprus, who had to spend one year in exile on the main island of Mahe in Seychelles wrote, "I have visited many places all over the world and it is no exaggeration to say that the Seychelles islands contain the most beautiful places in the world". The famous writer and author Ian Fleming wrote: "It is a real paradise".. Many others have described in similar endearing terms these lovely islands, claimed to be the only mid-ocean islands in the world of a granitic origin.

Recorded history of human civilisation in these islands is hardly two centuries old. Seychelles were first a French colony and since 1815, a British colony, dependent on Mauritius. This ended in 1903 when it became a crown colony — independent of Mauritius. In that year the population of these islands was a mere 20,000. It is indeed quite surprising that even after 73 years their population today is only 60,000.

Until 1972, when an all-weather international airport was built at Mahe by means of reclaiming the bay adjoining it, the Seychelles were not within easy reach. The nearest mainland harbour for Seychelles is Mombasa, 1000 miles away. Even Mauritius is 1,200 miles and Bombay and Colombo are about 2000 miles from Seychelles.

It was rightly described as a tourist paradise by leaders in hotel industry as well as international airlines throughout the world. Already, within four years after the commissioning of the international airport, 30 jets fly into Mahe every week and the number is fast increasing. Jumbos will begin landing within a few days and our Air India has also decided to operate a weekly service from the June 25, 1976.

limitless scope

Mr James Mancham who became the prime minister of Seychelles in 1974 after his party "Seychelles Democratic Party" registered a massive victory of 13 out of 15 seats in the legislative assembly as a result of elections held under adult sufferage, lead his party to victory on the issue of Independence. His party's other main contention was that entrepreneurs from all over the world should be offered facilities to develop the hotel industry and fishing industry for which the scope seems limitless. When a government was to be formed, the opposition party lead by Mr Albert Rene agreed to co-operate and joined the ministry. When on June 28, 1976, the Seychelles became a full-fledged independent republic with equal status in the comity of nations, its future will entirely depend on the wisdom of its own leaders to take it along the paths of progress, prosperity and happiness.

Mr James Mancham has already established himself as the undisputed leader of this lovely little country. Realising from the outset that Seychelles would be ripe for both political and commercial exploitation, Mr Mancham has lead the islands into the twentieth century on his own terms. He has shown his great abilities in many parts of the wide-world as a tireless promoter of his islands abroad...always remembering, however, that Seychelles belongs to its people — and not to outside interests or to the aspirations of a few educated Seychellois seeking political and social power. He is well aware of the hard fact that the Seychellois are an easy-going people. For quite some time he has been giving slogans like "Paint up, fix up, clean up and green up to keep Seychelles beautiful" and as a result the important areas of Victoria Town which is the capital of Seychelles and Cascade have acquired a new look. He is determined to see that at least 1,20,000 foreign tourists land in Seychelles by 1980 as against only 55,000 at present.

clear-cut policy

"Keep out of our politics" — has been James Mancham's call to foreigners for quite some time as he wants to steer clear of outside influences and interference in Seychelles affairs. He does not propose to have any defence machinery as he feels it is not warranted. Seychelles has a tidy police force which maintain the law and order with great tact and understanding. There are already two radio stations in the islands, one belonging to the government and the other to the Christain movement for their broadcasts to the east. With French collaboration, a colour television station will soon be in operation on this island.

There are only about one hundred families of Indian origin. most of the Seychellois are of mixed origin — Africans, English, French, Spanish, Chinese etc and their colour is light brown. The official language is English but the spoken tongue is Creole, a blend of French and Spanish. Mr Camery Chetty—a Seychellois of Indian origin — is the island's Finance minister and this indicates the respectable and responsible place occupied by them in this small resurgent nation. There is only one daily published by the government in tabloid size and it is said to be the smallest daily newspaper in the entire world.

main crops

The main crops of this island are copra—dried coconut kernels (50 per cent) and Cinnamon (30 per cent), vanilla, patchouli, guano, salted fish sharing the remaining 20 per cent. Owners of estates and Indian merchants control 90 per cent trade and it is commonly said that the secret of the Indian shopkeepers' success is his ability to give indefinite credit together with unfailing courtesy. Nearly everyone in the island is in his debt. It is a tax haven with the highest income-tax at 35 per cent.

Almost everything has to be imported. The 1975 import bill was about Rs 18 crores. As against this, tourism brought in Rs 9 crores and exports brought in Rs 3 crores. Seychelles has always enjoyed the status of a grant-in-aid colony and its trade deficits are taken care of by the British government so that it may continue to be a free economy. Britain has agreed to keep this arrangement going for the next five years so that Seychelles may be able to build up its economy on its own in this period. British goods attract import duty of 17 per cent and all others 20 per cent.

The birth-rate is three per cent per annum. Family planning is being introduced so that population increase may be arrested. As many as 20,000 out of the total population of 60,000 constitute the working force, and a good many of them are women. There are 6000 motor vehicles on the main Mahe island which is only 54 square miles. Its average temperature throughout the year is only 80/85 F° and the annual rainfall averages 90 inches. Its tallest peak is 3,200 feet high and even tea is grown on 40 acres. White as well as coloured workers get Rs 700 to Rs 900 per month; there is hardly any unemployment. Everyone here has a British passport at present although this will now change.

tourist facilities

Offshore banking with numbered account facilities will soon be in operation in Mahe. An Arab millionnaire is going to build a fabulous casino and hotel. Oberoi Sheraton have plans to build a very attractive hotel.

Beer flows like water on this island. People here start the day with beer and end it with beer. Seychellois are a jolly, simple, take-it-easy, care-free happy-go-lucky, cheerful people and freedom from foreign yoke may open up limitless opportunities for every one. Air Mahe is already an efficient air service taking tourists to its many attractive islands like the Bird island and others. The Seychelles is surely poised for a great future.

Attention Subscribers

All subscribers are requested to notify the non-receipt of a particular issue within a month of the date of publication failing which it may not be possible to provide replacement copy.

Manager

Airlines of the world—I

Lufthansa is fifty

S. P. Chopra

RECAPITULATING THE history of Lufthansa, Dr Herbert Culmann, chairman, executive board, Deutsche Lufthansa AG, said early this year: "The 50 years from 1926 to 1976 were one of breathtaking development in civil aviation in which Lufthansa was not only involved, but in which it played a significant role."

And the history of Lufthansa does read like a fairy tale. The first Lufthansa — Deutsche Luft Hansa AG, to be precise — began scheduled passenger, freight and air-mail traffic on April 6, 1926. Those were the days when radio technology and air traffic control were in their infancy. Night flying was considered a hazard. Not much knowledge or experience was available for bad weather flying. But the daring pilots of Lufthansa who were pioneers in this field, took courage in both hands and not only braved foul weather but conquered the unknown mountain ranges of the Alps, the Pyrenees and the Balkans.

* * *

By any standard, the very first year recorded remarkable success. With a staff of 1,527 in 1926, the Lufthansa planes flew 6.5 million kilometres, transported 56,268 passengers and 946 tonnes of mail and freight. With the planes of those days, the distance between Berlin and Moscow was covered in 15 hours. And it was no mean achievement!

The Lufthansa of 1976 is one of the leading airlines of the world, using fast, modern jet planes such as DC-10, Boeings 707, 727, 737, 747 and the Airbus A-300B. Boeing 737's are used for short-range, Boeing 727's for medium range, and Boeing 707's and 747's, as well as McDonnell-Douglas' DC-10's for long-range flights. The B-747 is a wide-body jet with a seating capacity of 365: its sister plane the BO747F has a cargo capacity of 100 tons and is used for clearing voluminous cargo.

* * *

Lufthansa's latest acquisitions, the long range DC-10 and the short to medium haul A300B "Airbus" fit logically into the carriers former all-Boeing fleet. By adding the new and quiet wide-body models to its inventory, the airline not only carries more passengers with fewer aircraft movements, but is also taking great strides towards eliminating excess noise and air pollution. In 1975, Lufthansa carried 10,147,900 passengers and transported 296,565 tonnes of cargo and mail. While it is rightly proud of its past achievements, Lufthansa is looking forward to a continued increase in its operations during the next decade. With a punctuality rate of 98 per cent, the airline is one of the few companies which have earned world-wide recognition for almost clock-like efficiency.

The jet age has made the world small. Lufthansa no longer considers Europe as a continent. It asks the people to think of Europe as a city. With Frankfurt airport as the geographic centre of Europe, each one of the major European capitals can be reached within approximately two hours. That is usually the time taken to travel from one part of a capital to another in most of the big cities, mainly due to traffic congestion. Frankfurt, the home port of Lufthansa, offers no less than 200 flights every day to all parts of Europe — and around the world.

In terms of financing and marketing accomplishments, the German national carrier can be proud of its achievements as well. The world economy was passing through a recession in 1975 and turnover of all businesses including airlines was adversely affected, Lufthansa was able to announce an increase of seven per cent in net profits as compared to 1974 with a gross turnover of 12 per cent. In addition the airline set a record by carrying more than 10 million passengers in the same year.

* * *

The profit motive has prevailed with Lufthansa all these years and it is not ashamed of it. Since the airline is not subsidized by the Federal German government, it has no option but to generate additional resources through efficient services and operation. It has to compete with airlines that are interested only in increasing their share in passenger traffic. These airlines are keen to transport as many passengers as possible into their own countries which results in the inflow of valuable foreign exchange through expanded tourism. The governments of these airlines who support them, consider them successful even if their balance sheets show losses, because what is lost by these airlines is more than made up by tourism. But Lufthansa, as stated earlier, is in a class apart. It continues to get increasing shares in the expanding passenger traffic of the world, and also shows surplus in the financing results — a hall-mark of good business, efficiency and discipline.

* * *

The flying crane - the symbol of Lufthansa — has earned both fame and prestige, thanks to the millions of hours of dedicated work by its staff, both in the air and on the ground. The administration building at Cologne which overlooks both the Rhine and the renowned cathedral, is Lufthansa's Head Office from where all progressive impulses, which have made Lufthansa one of the foremost airlines of the world, emanate.

Nearer home, not many have forgotten the congestion of freight at Palam airport in the months of May and June 1976. Lufthansa operated its Jumbo B-747F to carry as much as 78 tonnes of freight on June 1, consisting mainly of textiles and handicrafts. Earlier in May the airline had operated 14 special cargo flights carrying 313 tonnes. And in view of the government of India's policy of encouraging exports, Lufthansa has prepared itself to lift increasing volumes of cargo in the coming months.

On the basis of extensive market research, Lufthansa has taken certain lessons to heart. The busy businessman, for example, is keen to reach his destination with the least delay. Too many stoppages are not only irksome; they may also contribute to unforeseen delays beyond the control of an airline. Hence the introduction of non-stop services. For a passenger who boards Lufthansa at Palam, Frankfurt is only 8 1/2 hours away with no stop between the two cities. The Indian Railways take more time for a journey between Delhi and Amritsar.

Lufthansa is a living airline — one which keeps its eyes and ears open and gets the best market researchers to forecast trends in various fields. While many airlines take a gloomy view of things till 1980. Lufthansa is optimistic. Its executives, whose job it is to maintain a calm, sober view towards future developments, dismiss the peddlers of doom. In their view the future will be neither startling nor even surprising.

* * *

In fact, Lufthansa director for marketing and customer services, Dr. Malte Bischoff, has stated categorically, that there will be no developments which are not clearly recognizable already today. That is not to say that over the next five years or so Lufthansa's experts do not expect accelerated evolution in the industry and the inevitable short time crisis which affect every undertaking. However, it is the progressive and forward looking attitude based on solid research by the airline's team of experts who are constantly examining new trends in marketing, which has successfully guided Lufthansa's fortune in the past and will continue to do so towards an optimistic future.

Lufthansa at a Glance

Traffic Results	1972	1973	1974
Passengers carried	8,523,201	7,984,445	9,602,105
Freight (tons)	208,878	243,979	265,254
Mail (tons)	35,569	36,697	39,364
Passenger load factor (%)	56	56	54
Overall load factor (%)	59	61	59
Flights operated	131,961	121,481	145,518
Kilometres flown (Millions)	159.9	162.2	181.0
Available ton kilometres (millions)	2,899.0	3,203.7	3,718.6
Revenue ton kilometres (millions)			
Passengers	969.8	1,051.5	1,158.9
Excess Baggage	11.5	12.9	14.9
Freight	670.5	840.7	968.4
Mail	44.8	47.0	50.4
Total	1,696.6	1,952.1	2,192.6
Available seat kilometres (millions)	19,201.7	20,536.7	23.443.5
Passenger kilometres (millions)	10,667.4	11,555.0	12,758.9
Average distance flown by passenger (kilometres)	1,339	1,551	1,428
Average number of flight kilometres per week (thousands)	3,075	3,119	3,481
Unduplicated route network (kilometres)	403,257	405,811	406,309
Number of airports served	105	110	108
Operating aircraft as at December 31st (excluding training fleet)	79	81	86
Number of employees as at December 31st	22,888	23,761	24,441
Productivity per employee in ton kilometres (calculated on the available ton kilometres of scheduled and charter flights and on the annual average number of employees)	126,800	137,400	154,300

TRADE WINDS

Curbs on Dividends go

THE GOVERNMENT of India announced on July 3, 1976 the withdrawal of restrictions on declaration and payment of dividends imposed under the Companies (Temporary Restrictions on Dividend) Act, 1974, with effect from July 6. The restriction on the payment of dividends was imposed in 1974 as an anti inflationary measure. Under the Act the companies were restricted to declare and make payment of dividends to the extent of 12 per cent. Under the amendment introduced in 1975, the companies could declare dividends of more than 12 per cent but the excess was to be paid in two equal instalments. The government's decision now removes all these restrictions.

Exports During 1975-76

The revised figure of India's exports (including re-exports) for 1975-76 has reached a provisional total of Rs 3943.0 crores registering an increase of about Rs 612.4 crores over the value of exports of Rs 3330.6 crores (revised figure) in 1974-75. In a climate of recessionary situation when the world trade is reported to have increased by only four per cent in value in 1975, an achievement of the growth rate of more than 18 per cent in Indian exports during 1975-76 is of great significance.

Increase in Export

Exports have tended to increase all over the year except for the month of July 1975. Not only our exports could fulfil the year's target of Rs 3600 crores but even exceeded it by a margin of Rs 343 crores or more than nine per cent. Within a span of five years during 1971-72 to 1975-76, the magnitude of India's exports increased by 145 per cent.

The impressive gains achieved in the export front have not, however, been adequate to balance our trade accounts. A continued strain on food, fuel and fertilisers to meet the growing needs of our economy pushed up imports during 1975-76 to the provisional figure of Rs 5018 crores. The last three months of 1975-76 have shown a continued decline in imports. With some recent improvement in exports in relation to imports, the deficit of India's foreign trade in 1975-76 was lower than that in 1974-75. Against more than 18 per cent growth in exports, the imports expanded by some 11 per cent, much less than the growth of imports in the previous two years.

Some commodities emerged as growth items in the export from last year. The export statistics for April, February, 1975-76, show that exports of sugar had gone up by 57 per cent and that of engineering goods by 13.3 per cent. Other growth items were: silver (132.1 per cent), fish (90.0 per cent), iron ore (38.0 per cent), leather and leather manufactures including footwear (27.9 per cent), iron and steel (310.3 per cent), handicrafts (20.5 per cent), cotton apparel (34.9 per cent), raw cotton (113.6 per cent), groundnuts (79.6 per cent), tobacco unmanufactured (17.9 per cent), coal and coke (174.1 per cent), tea (4.8 per cent) and coffee (13.3 per cent).

Tin Container Units

The Department of Industrial Development has lifted the ban for registration of new units in the small-scale sector in all areas of the country which intend to manufacture tin containers and similar other products using tin sheets. This decision has been taken in view of the increased supply position of tin plates in the country and its increased production from 96,000 million tonnes in 1974-75 to about 1,16,000 million tonnes in 1975-76. Earlier, this item was put in the banned list by the Development Commissioner, Small Scale Industries, because of shortage of indigenous tin sheets in the country. In March 1976, this item was opened for being set up in the backward districts/areas as the availability of indigenous tin sheets had improved. Those entrepreneurs, who wish to register new units or expansion of the existing units for manufacture of tin containers and similar other products, should approach the state director of Industries with their schemes.

Departmental Account with Banks

The union government has introduced a fresh innovation to streamline its financial administration. Some of the public sector banks have now been entrusted with the work of handling government receipts and payments. All payments on behalf of the ministries will be made by cheques and drafts on the branches of the public sector banks accredited to a particular ministry. So far, the actual cash transactions were being handled only by the offices of the Reserve Bank and the branches of the State Bank of India or its subsidiary banks. The involvement of public sector banks would not only provide adequate relief to the State Bank but also ensure prompt settlement of claims and quicker compilation of accounts.

To begin with, some ministries and departments have been accredited to public sector banks. The State Bank of Patiala will act as banker for the ministry of Petroleum, Chemicals and Fertilisers; Bank of India will handle the transactions of

Department of Steel; United Commercial Bank will be accredited to the Department of Mines; Syndicate Bank will be banker for the ministry of shipping and transport; United Bank of India will handle transactions of the Department of Coal; and the Central Bank of India will look after the transactions of the ministry of Commerce.

Indo-GDR Cooperation

India and German Democratic Republic (GDR) expressed their determination to intensify further and expand mutual co-operation in the political, economic, scientific, technological, cultural and other fields. They also welcomed the successful conclusion of the all-European conference on security and co-operation in Helsinki. The joint communique issued in New Delhi and Berlin simultaneously and signed by the prime minister, Mrs Indira Gandhi and General Secretary of the Central Committee of the Socialist Unity Party of Germany, Mr Frich Honecker, at the end of Mrs Gandhi's three-day state visit to (GDR), stated that establishment of lasting relations of good neighbourliness between all states was an important pre-requisite for transforming Asia into a continent of peace and co-operation. They agreed that the forthcoming meeting of the Indo-GDR joint commission should explore the possibilities of englarging areas in the fields of scientific research and exchange of technology between the institutions of the two countries.

Cash Aid for Turn-key Projects

The government has decided to continue till March-end next year, cash compensatory assistance for turn-key projects to be set up abroad. The assistance was valid for three months from April this year initially. Thus the cash support for turn-key projects has also been made available for a full year as has been done in the case of engineering exports. There will be however no change in the existing rate of assistance of 10 per cent.

There was a move earlier to increase the rate of assistance. But this has now been kept in abeyance for the time being since data required for computing the new rates of assistance could not be monitored. In fact it was for the same reason that the cash compensatory scheme was extended for just three months to begin with.

Engineering Exports

An estimated Rs 400 crores has been secured by India's engineering industry through its exports effort during 1975-76 as compared to Rs 349 crores earned by it in the previous year. Barring a few exceptions, most of the product groups of the industry have displayed dynamism in the export endeavour in this year. There was notable improvement in the foreign exchange earning of textile and jute mill machinery, heavy electricals, wires and cables, wagons and coaches, road motor vehicles, mild steel wire products sanitary castings, aluminium products, hand tools, diesel engines, mechanical pumps, household electric equipment and scientific instruments.

The capital goods sector proved responsible for sizeable improvement in the export earning. While in 1974-75 its export value totalled Rs 116 crores, the estimated level reached in the subsequent year was of the order of Rs 151 crores. In this area, industrial plant and machinery exhibited encouraging signs of improved overseas demand. Besides textile and jute mill machinery, which earned Rs 21.8 crores in 1975-76 as compared to Rs 16.3 crores in the preceding year, the export growth was evident in respect of sugar machinery, cement machinery, food processing michinery and earthmoving machinery. The entire group of industrial plant and machinery earned as much as Rs 43.53 crores as compared to Rs 31.23 crores in the preceding year. Heavy electrical exports, which have, over the years, established a mark in the world markets, netted Rs 14.5 crores in the year under review as against only Rs 1.20 crores in the year before.

Jute Pact with EEC

India and the European Economic Community (EEC) agreed on a new jute trade accord, the EEC officials reported recently. It provides that India will limit its exports of various kind of jute goods until the end of 1979. In exchange, the EEC agreed to lower gradually its tariffs on Indian jute exports to zero level by July 1, 1978. The previous jute accord expired at the end of last year. In April, a similar accord on cocoa was signed with India. The tariff-free Indian jute exports to Britain and Denmark are being maintained.

Indo-Pak Rail Link

India and Pakistan recently signed an agreement to resume train services between Amritsar and Lahore on a date between July 17 and July 24. While there will be passenger trains only up to Attari border on India's side, the express train will cater to through international traffic only. Both the countries will contribute to the rake composition on a 50:50 basis. The question of affording through passenger coach services beyond Lahore and beyond Amritsar stations will be considered at a later stage. It was agreed that each country will collect the fares for the journeys of passengers on the respective systems up to the international border.

Deposit Insurance

With a view to providing a greater measure of protection to bank depositors, the Deposit Insurance Corporation has raised the limit of insurance cover for deposits in registered insured banks from Rs 10,000 to Rs 20,000 with effect from July 1, 1976. The present limit of Rs 10,000 per depositor was fixed in April 1970 when it was raised from the previous limit of Rs 5,000.

The enhanced insurance cover will apply in the case of any liquidation or winding up of an insured bank on or after July 1, 1976, and compromise or arrangement or reconstruction or amalgamation of any insured bank sanctioned on or after that date with no provision for payment of amounts due to depositors. Where, however, the Corporation has already incurred any liability before July 1, 1976 the existing limit (Rs 10,000) of insurance cover will continue to be applicable. The premium payable by insured banks will continue to be four paise per Rs 100 per annum.

Directors for Urban Improvement Co.

The Company Law Board has appointed six government directors on the board of directors of the Urban Improvement Company (Private) Limited, New Delhi, for a period of three years. They are Lt Gen. R. N. Batra (retired), Lt, Gen. J S. Bawa, F-in-C, Mr R. K. Khanna (chartered accountant), Mr Lalit Bhasin, (advocate, Supreme Court), Mr S. P. Mitra, advocate, Supreme Court), and Mr O. P. Bhardwaj, (additional director, Urban Estates, Haryana).

Pata 1978 meet in Delhi

A separate cell is being created in the Department of Tourism to look after the arrangements for the Pacific Area Travel Association (PATA) Conference to be held here from January 23 to January 27, 1978. The dates for the conference have been chosen with a view to presenting to the delegates festival time gaiety, a spectacular parade, folk dances that go with the Republic Day each year.

RBI on Penal Interest Rates

The Reserve Bank of India (RBI) has told the scheduled commercial banks that the penal rates of interest on their advances should not exceed two per cent over the ceiling rates on advances (ranging between 16.5 per cent and 17.5 per cent) prescribed for the various classes of banks. It has asked banks to give separate treatment to certain categories of advances such as overdue inland bills, small loans up to Rs 5,000, loans granted under the differential interest rates scheme, direct agricultural advances and plantation advances and export credit.

Justifiable Part

In detailed guidelines issued on banks governing penal rates and service charges, the RBI has pointed out to banks that penal rate should not be regarded as a device for raising revenue but as a measure to ensure discipline in the conduct of the account. The RBI feels that penal rates cannot be objected to in principle and will have to be accepted as a "justifiable part" of the interest rates policy of banks, as long as they are applied with "selectivity and discrimination." It has been pointed out that the areas where banks may be justified in charging penal rates are default in repayment of loans, irregularities in cash credit accounts, non-submission of data, default in borrowing covenants, non-repayment or non-acceptance of demand bills on presentation, usance bills of exchange on due dates, and excess rent assets as recommended by the Tandon Committee.

Puerto Rico 'Summit

The seven leaders who met recently in San Juan, Puerto Rico, for an economic summit, announced that they had agreed to pursue the objective of sustained economic growth with policies that seek to avoid reigniting worldwide inflation. In a joint statement, issued at the end of the two-day summit, the leaders said that their objective "now is to manage effectively a transition which will reduce the high level of unemployment which persists in many countries and will not jeopardise our common aim of avoiding a new wave of inflation." During their meeting, the leaders agreed to consider creating a new multinational credit facility, possibly within the IMF to aid Italy and other developed nations that experienced temporary international payments problems.

Names in the News

Mr Rahul Bajaj. Chairman & Managing Director of Bajaj Auto Limited, has been unanimously elected as President of the Association of Indian Automobile Manufacturers for the years 1976-1977. Mr Bajaj is also the Chairman of the Development Council for Automobiles & Allied Industries.

Mr. Rabul Bajaj

Mr. K. N. Modi has been elected the President of the Northern India Cotton Textile Mills' Association. He is the Chariman of Modi Enterprises and takes deep interest in the social and welfare activities of the workers and residents of Modinagar and surrounding areas. He had been Chairman of Pradeshiya Industrial and Investment Corporation of U.P. Ltd, and U.P. Electronics Corporation Ltd. He is a Director of U.P. State Industrial Development Corporation Ltd.

Mr. K. N. Modi

COMPANY AFFAIRS

Gwalior Rayons

THE TOTAL turnover of Gwalior Rayons for the year ended March 31, 1976 was Rs 146.95 crores as against Rs 150.98 crores in the previous year. After making provision for depreciation, development rebate reserve and taxation the profit and loss account showed a profit of Rs 6.41 crores as against Rs 7.71 crores in the previous year.

The directors of the company have declared a dividend of 20 per cent on equity shares which will absorb Rs 2.11 crores. The preference dividend declared by the directors will absorb Rs 32.38 lakhs.

Bonus Issue

Subject to the approval of the Controller of Capital Issues, the directors propose to issue one bonus share for each equity share held by the shareholders by capitalising Rs 5.28 crores out of the general reserve.

In the field of exports the Engineering and Development Division of the company successfully completed the supplies of staple fibre plant and machinery to South Korea. The plant was erected and commissioned under the able supervision of the company's engineers. The company's pioneering venture was complimented by the Director General of Technical Development, as an achievement which "will go a long way in strengthening our image internationally." The company maintained its progress regarding exports of staple fibre machinery to Thailand and the project is progressing as per schedule. This joint venture staple fibre project will go into production by August 1976. Also the company exported 8,200 tonnes of Sodium Sulphate during the year as against 5,600 tonnes in the previous year.

Grasilene

During the year under review, the R & D wing of the company developed a new high performance fibre, which is being marketed under the trade name of 'Grasilene'. The company has made necessary applications for patent rights in India, as also to cover other countries such as the USA, West Germany, the UK, France and Japan.

The company has received a letter of intent for expanding its pulp manufacturing capacity further by 12,000 tonnes of superior quality pulp suitable for rayon filament/tyre cord industry.

The company is participating in the establishment of 100 tonnes per day capacity Caustic Soda/Chlorine project in collaboration with Bihar State Industrial Development Corporation in a backward district of Bihar at an estimated cost of Rs 16 crores. Also it is actively engaged in exploring the possibility of participating in a chemical complex to be set up in Malaysia.

Malco

The Madras Aluminium Company Ltd had to face serious difficulties on account of critical power position and low realisation for its products in the year-ended December 31, 1975. The power cut amounted to 75 per cent during a part of the year. Production losses amounted to nearly 5,000 tonnes of metal; also the company had to spend nearly Rs 40 lakhs to restart its plant.

Under the new integrated aluminium policy, announced by government of India in July 1975 the company had to supply 50 per cent of its production as levy metal, and the rest to be sold as non-levy metal in the open market. Due to consumer resistance and high prices of the products there was a piling of stocks with the producers.

The company's performance during the first half of 1976 is far from satisfactory. In order to improve the demand for the product the government reduced the excise duty on aluminium by Rs 1200 per tonne. Also the government permitted the manufacturers to export the metal. Though the manufacturers were able to reduce their stocks by exports, yet in the process they incurred a loss of Rs 500 to Rs 1500 per tonne.

Mysore Cements

Subject to the approval of the Controller of Capital Issues, the directors of Mysore Cements propose to issue one bonus share for every two equity shares held by the shareholders for the year ended June 30, 1976.

The production of cement in 1975-76 was 431,584 tonnes as against 370,859 tonnes in the previous year.

The company received a cash prize of Rs 2,500 and a cup for the highest percentage reduction in frequency rate of accidents in the industry from National Safety Council, ministry of Labour, government of India. The Director of Mine Safety for southern region has adjudged the company's limestone mine in Karnataka as the best in overall performance and has awarded the company the first prize for safety standards and working conditions.

Dunlop India

Gross sales of Dunlop India Ltd, for the year ended December 31, 1975 amounted to Rs 167.44 crores, recording an increase of 14 per cent over 1974. This increase in sales was mainly due to higher selling price of the product.

The company was able to achieve a record turnover of Rs 7 crores—an increase of 32 per cent over 1974. The company received the special CAPEXIL award for outstanding export performance and promotional activities in 1974-75.

The company signed a technical consultancy agreement with Webstar, a company promoted by West Bengal Industrial Development Corporation, on behalf of Dunlop Ltd, UK. A similar agreement is being negotiated by the company with the Andhra Pradesh government also.

The company proposes to instal aerotyre retreading facilities at its Sahaganj factory in West Bengal. Hitherto all the aero tyres were being sent out of India for retreading. This facility will be saving the country a considerable amount of foreign exchange.

Haryana Financial Corporation

At the ninth annual general meeting of the shareholders of Haryana Financial Corporation held on June 21, 1976 the chairman Mr M. C. Gupta spotlighted the speed with which disbursements were being made in order to hasten the industrialisation of the state. The corporation disbursed six crores of rupees during the year ended March 31, 1976 taking total disbursement to more than Rs 29 crores. The increase in its operations inflated its income which crossed the Rs 2 crore-mark in the year under review. It goes to the credit of the corporation that it has successfully reviewed the cases awaiting financial sanction. Also, the time taken in sanctioning and disbursing financial assistance has been considerably reduced. While at the beginning of the year as many as 292 applications were awaiting disposal, their number came down to 83 only at the end of the year. In special cases, financial assistance was provided in two to three months.

Backward Areas

The corporation has continued to extend increasing volume of assistance to units in backward areas. As against financial sanction of Rs 2.59 crores in the preceding year, the corporation sanctioned Rs 2.72 crores to such units in the year under reference. What is more, there has been a steady increase in the number of such units year after year. The small-scale industries were also patronised by the corporation and attractive concessions were given to them.

However, the corporation encountered some difficulties in making recoveries of old loans. The chairman, Mr M. C Gupta is making great efforts to hasten recoveries and undoubtedly his efforts will be crowned with success, in view of the improvement in the economic climate of the country in general and the state in particular

South India Viscose

Despite a fall in production and prices of its products, the working results of South India Viscose Ltd have turned out to be satisfactory according to the chairman, Mr R. Venkataswamy Naidu. The output of rayon yarn fell by 16 per cent, staple fibre by 63 per cent and wood pulp by 19 per cent in the year ended December 31, 1975 as compared to the preceding year. The chief cause for the drop in production was power cut for several months though the strike by workers was equally responsible. The prices of staple fibre and rayon declined sharply and sales could be effected only thrugh big discounts.

Undaunted by these unfavourable trends, the expansion projects of the company are being pursued with vigour. It has received an industrial licence for the manufacture of 20 tonnes per day of polynosic fibre. At the same time, the capacity of the pulp plant is being doubled from 60 to 120 tonnes per day. The expansion or the pulp plant is expected to be completed in the beginning of 1978.

Joint Ventures

The company is particpating in the establishment of an industrial unit in Malaysia. A joint venture in association with promoters in Malaysia, it will manufacture wood pulp for rayon and paper.

The company is fortunate in having made satisfactory arrangements for the allotment of forests in Nilgiris and Kodai hills. However, the government of Tamilnadu has demanded sharp increase in the existing lease rates. The management hopes that a sympathetic view will be taken keeping in view the peculiar circumstances in which the company is currently placed.

TDA

The Trade Development Authority (TDA) has decided to extend its activities to

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NOTICE

The Gwalior Rayon Silk Mfg. (Wvg.) Co. Ltd.

Registered Office: Birlagram, Nagda (M.P.)

Notice is hereby given that the Registers of Members and Transfer Books of the Equity and Preference Shares Series 'A' & 'C' will remain closed from Thursday the 29th July, 1976 to Tuesday the 24th August 1976 (both days inclusive) for the purposes of payment of dividend on 1,05,60,000 Equity Shares and 1,48,275 Preference Shares Series 'A' and 2,00,000 Preference Shares Series 'C' in the Company.

The dividend on Equity and Preference Shares Series 'A' & 'C' when sanctioned by the shareholders will be made payable to those Shareholders, whose names stand on the Registers of Members of the Company as on 24th August 1976 as under:

(i) Dividend on Preference Shares Series 'A' & 'C' on or after 4th September, 1976.

(ii) Dividend on Equity Shares on or after 11th September, 1976.

By Order of the Board
B.N. Puranmalka
Secretary

Birlagram, Nagda
Dated; 1st July, 1976

west Asia, Africa and other unexplored regions instead of confining itself to the markets of the developed west.

Mr S.G. Bose Mullick, union Commerce Secretary and Chairman of TDA, said recently in the capital that TDA did not want to be bound by any geographical constraints. It proposed to introduce flexibility in both the coverage of products and markets.

Mr Mullick said that TDA had evolved several novel instruments of export services. The technique of "buyer-seller meet" had paid rich dividends. The meets held at New York, and Dallas early this year helped the Indian exporters to book export orders worth Rs 11 crores on the spot. Besides, the meets generated inquiries worth nearly Rs 3.5 crores.

TDA's Achievements

Outlining the achievements, Mr Mullick said that TDA made a significant contribution in the field of automotive ancillaries during 1975-76. One of its client secured orders from a leading automobile manufacturer for the supply of specialised automotive fasteners as original equipment.

Unit Trust

Sale of units under the Unit Scheme, 1964 and 1971 which had been suspended by Unit Trust of India from June 7, 1976 for the purpose of the annual closing of its accounts, was resumed from July 1, 1976. Units will now be available for sale at the special price of Rs 10.30 per unit throughout the month of July. It is customary for the Unit Trust to sell units at a special concessional price at the beginning of its accounting year.

News and Notes

A Rs 20-crore spiral weld plant was commissioned as part of the **Rourkela Steel** Plant complex at Rourkela on June 17.

The plant will produce steel pipes ranging in diameter from 18 inches to 64 inches. The annual out-turn of 55,000 tonnes of large diametre pipes will go a long way to meet the requirements of the petroleum industry which is at the moment planning to lay a 1200 km pipeline from Gujarat to Mathura to carry the crude for refining at the Mathura refinery. The plant took two years to complete and has already gone into commercial production.

The general manager of the Rourkela steel plant, Dr P.L. Agrawal, said that the new plant had contributed significantly to make the oil industry self-reliant in regard to its pipeline needs. He said, Indian Oil Corporation had placed its first order for 86,000 tonnes of 24 inch diametre pipe for its projects and this alone will save the country foreign exchange amounting to Rs 30 crore. The total foreign exchange expenditure incurred on the spiral weld plant is Rs 7 crore.

New Issues

National Machinery Manufacturers Ltd is entering the capital market with an issue of 80,000 11 per cent cumulative redeemable preference shares of Rs 100 each for cash at par.

The company which was incorporated in 1947, with the main object of manufacturing textile machinery and spares in India went in for diversification in 1972 and started manufacturing synthetic fibre machinery and other sophisticated industrial engineering products.

The technical collaborators for synthetic fibre machinery are Barmag Barmer Maschinenfabrik, AG, West Germany.

The company will be spending approximately Rs 205 lakhs for modernisation of its Kalwe works, during the next five years. It also proposes to spend Rs 60 lakhs for its Baroda works.

Under the diversification programme the company will be manufacturing hydraulic variable gear boxes in collaboration with Gebr. Boehringer GmbH, West Germany and shuttle-less looms and spinning machines in collaboration with Societe Alsacienne De Constructions Mechnique De Mulhouse, France.

The issue opened on July 7 and will close on July 17, but not before the bank closing hours on July 9.

Dividend

(Per cent)

Name of the company	Year	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Super Box	March, 1976	18	12
Elgi Rubber	March, 1976	12	9
Gwalior Rayon	May, 1976	20	12
MICO	Dec., 1975	14	12
Same Dividend			
Premier Mills	March, 1976	12	12
Wandleside	Dec., 1975	5	5
Lower Dividend			
Food Specialities	Dec., 1975	Nil	17
S.R.P. Tools	May, 1976	Nil	3.75

COMPANY MEETINGS

The British India Corporation Ltd., Kanpur.

Chairman's Address

Statement of Shri P.N. Mathur, Chairman, The British India Corporation Ltd., for the year 1975 at the 56th Annual General Meeting held on Monday, the th June, 1976.

FELLOW SHAREHOLDERS AND FRIENDS,

I have great pleasure in extending to you all a warm welcome to the 56th Annual General Meeting of the Corporation.

2. The Directors' Report and the Accounts for the year ended 31st December 1975 have been circulated and, with your permission, I shall take them as read.

3. We have passed through a very momentous year in the history of our country in 1975. With the declaration of emergency, a climate of political stability has been created; labour-management relations have become more cordial; and the inflationary trends have been reversed. One of the off-shoots of emergency, which has directly benefited the corporation has been the virtual elimination of the entry of smuggled goods in the country. The disappearance of easily available cheap - priced smuggled ready-made woollen garments and woollen fabrics from the market has helped the sale of indigenously produced woollen goods in the country and your Corporation has been able to achieve a record turnover in 1975 which is about 18% higher than in the previous year.

4. The large turnover has, I regret to mention, not been able to generate sufficient profits even to cover the small depreciation charges. Although the reasons for this state of affairs have been enumerated in the Directors' Report, I would like to mention in passing that old plant and equipment and a high complement to staff were serious constraints on production and marketability of our products at a satisfactory price level.

5. Replacement of the old obsolete machinery for the worsted system under the modernization programme is being actively pursued with the financial institutions for which financial aid will be necessary. It is expected that this programme will be undertaken in two stages; the first stage to be completed by middle of 1978 and the second by middle of 1979. Two important machines for the first phase which were to be imported were indigenously fabricated in consultation with our technical staff and these are expected to be in position by September this year. I hope that after modernization, it will be possible to manufacture worsted materials in a wide range of counts and we will be able to cater for the fashion market right through the year on a bigger scale. After completion of the modernization programme, it should be possible to reduce the cost of production and to produce high quality products yielding a better margin of profit.

6. Funds for modernization of plant and machinery to be obtained from financial institutions have to be supplemented from internal resources. Under the present conditions in which our Kanpur Unit is placed, it may be increasingly difficult to generate funds from own resources. However, every effort is being made to improve profitability and to introduce economies so that the Corporation's contribution in this direction can be achieved.

7. It is unfortunate that unlike the cotton and jute industries, woollen textile industry is not eligible for Investment Allowance under the amended Income-tax Act. There is no reason for this unfair treatment to this important industry of the country which fulfils important needs of the Government, exports a sizable quantity of its products and caters for the masses, both urban and rural, living in the cooler regions of the country. The importance of this industry is in no way less than that of the cotton textile industry or the jute industry and there is no reason why the Investment Allowance should not be granted to the woollen textile mills of the country.

8. For the implementation of the 20-point programme to increase production through the handloom sector, your Corporation decided to collaborate with the U.P. Export Corporation Ltd. in the form of a Joint Sector Project for the manufacture and for dyeing of carpet yarn at Bhadohi. This project is economically viable and it will serve the needs of a deserving section of our community, namely the handloom weavers, who will be able to obtain carpet yarn on more reasonable terms at their door-step so that a much larger quantity of handloom carpets can be woven and made available for exports. It is hoped that the contribution of the Corporation to this project will be a matter of satisfaction for all concerned.

9. Due to the present financial problems, the Corporation has not been able to render more service to the rural areas but the importance of improving the earning capacity of the masses in rural areas and thereby enlarging the scope of expansion of industries, particularly consumer goods industries, is not being overlooked. With a view to help the rural areas, a Company of the B.I.C. Group, The Saran Engineering Company Ltd., has undertaken a pilot project for fabrication of equipment for making cement out of rice husk ash with the help of a scientist from the Indian Institute of Technology, Kanpur. The pilot plant is under trial in the factory premises of the said Company and the finished product from this plant, though not as good as portland cement, will have an equally good application in brick laying, masonry and plastering.

10. With the exception of the Saran Engineering. Co., other group companies

namely the Textile Units and the Sugar Units have not fared at all well. However, some improvement has been noticed in the year 1976 as the Sugar Companies are expected to show profits and the Textile Mills may show slightly better performance.

11. As you are aware, the 20-point programme has been enlarged to include five more points for adoption as national policy, viz family planning, afforestation, urban development, national fitness and child welfare. These five points should now be treated as social responsibilities of business. Family planning is most crucial for the progress of our country as the ever-increasing population nullifies all efforts at raising the standard of living. Some measures have already been taken to motivate the staff for family planning. These measures need to be intensified and steps are being taken in that direction.

12. I would like to thank my colleagues on the Board for their valuable guidance. Shri M.C. Sarin resigned from the Board during the year. I wish to place on record our deep appreciation of his valuable services. Shri Bahadur Murao, Member, Bureau of Industrial Costs & Prices, has joined the Board vice Shri Sarin and is a very welcome addition. So is Shri A.S. Gupta, Zonal Manager, Life Insurance Corporation of India, Calcutta, who was appointed as an Additional Director and is due to be elected at this meeting.

13. This is a year of rededication for us being the Centenary Year of Cawnpore Woollen Mills. Hard work and discipline, which our Prime Minister has been emphasising, should be our motto to improve production and profitability.

14. I would end by thanking all our workers, staff and officers for the good work done by them during the year.

Note: This does not purport to be a record of the proceedings of the annual general meeting.

NATION REGAINS
SPIRIT OF ADVENTURE 1975-76

Drive against Black Money

- The underworld of smugglers smashed. Top smugglers behind the bars; 42 smugglers declared absconding and their property seized.
- Ceilings clamped on vacant urban land. Transfers within ceilings forbidden.
- Limits on area of dwelling units set. Valuation of luxury houses to nab tax evaders. Direct taxes collection up by 27.4 per cent since July 1975, following tax raids.
- Income and wealth exceeding Rs. 15,870 million disclosed by over 250,000 declarants under Voluntary Disclosure Scheme. Tax revenue Rs. 2,490 million.

davp 76/90

Company Meeting: Hindustan Lever Limited

RELEVANT TECHNOLOGY

Following is the speech delivered by Mr. T. Thomas, Chairman, at the Annual General Meeting of Hindustan Lever Limited, held at Bombay on Thursday, 24th June, 1976.

INTRODUCTION

India is reaching a stage of criticality in its technological momentum. Therefore, I thought it would be appropriate to examine what kind of technology would be relevant to our country and what contribution your Company is making to such relevant technology. A historic perspective has been provided in order to make the analysis more meaningful.

SCIENCE & TECHNOLOGY

Although science and technology are closely interlinked, there is a clear distinction between them. While science provides the 'Know-why', technology provides the 'Know-how'.

Science can exist and has done so in the past for long periods (e.g. atomic science) without being converted into technology. Similarly, once upon a time technology was derived directly from arts and crafts (e.g. distillation or metallurgy) without any understanding of the science behind it. But over the centuries, a strong linkage has been established between science and technology. And modern technology is the result of deliberate application of science.

Today an organisation can progress in technology only if it has a base in science (i.e. R & D). Conversely, the only way science can tangibly influence or benefit society is through its conversion into technology which is relevant to the needs of society.

TECHNOLOGY & ECONOMIC DEVELOPMENT

Throughout history, economic development has depended on technological progress which passed almost like a wave over the countries from East to West—from China, India and Egypt to Greece and Rome, later to the Islamic Empire and to Renaissance Italy and culminating in the Industrial Revolution in Europe spearheaded by Britain. In all this the trail of economic progress was identical to that of science and technology.

Perhaps man's first technological step was to take up organised cultivation of desirable crops which we now call 'agriculture'. This momentous step was taken because of the crisis reached in the early man's parasitical hunting economy as animals vanished or were exhausted from within reasonable reach. Similarly, throughout history, a large number of technological innovations were created in response to that recurring crisis of organised violence which we call 'war'. Yet another type of crisis which contributed to technological progress was the force of deprivation. A telling example was the discovery and use of coal in Britain in the eighteenth century because of the increasing shortage and cost of wood as a fuel. This led to mining and usage of coal which in turn resulted in a revolution in the engineering and metallurgical industries.

Thus, in the past, economic progress through technology was as a result of some kind of crisis. But in the present century planned use of science and technology for economic development has taken place in both the capitalistic as well as the socialistic societies. Science and technology have now become the recognised instruments for economic development.

CONTROL & USE OF TECHNOLOGY

The effectiveness of technology depends very much on who controls and uses it. In early human civilisations from China to Peru, the intellectual priests and the rulers believed that proper contact with celestial powers was more important than terrestrial problems. Hence the emphasis was on the study of stars or on the building of pyramids and temples to propitiate the gods. Although these beliefs and activities stimulated science and technology (e.g. astronomy, architecture), they did not contribute much to the well-being of people. In a later civilisation, the Greeks made tremendous progress in logic, mathematics, philosophy and architecture. But most of it found little application in simple activities like agriculture which were relevant to the welfare of the people.

Over the centuries the sponsorship and control of science and technology passed from the hands of private geniuses and princely patrons—first into the hands of people motivated by commercial interests (i.e. business and industry) and later (especially in this century) into the hands of governments. This evolution in the control of science and technology into the hands of agencies with increasing social responsibility should normally be considered an advantage.

Unfortunately, one of the major interests of governments (and hence of many large manufacturers) in technology and science in the most developed countries, has been its use for Defence. It has been reported that only about half of total R & D in advanced countries is directed towards purely non-Defence purposes. A major portion of today's scientific resources is devoted to the pursuit of organised violence between States which seem to emerge into a stage of adolescence and have to prove their virility in this suicidal fashion before they almost inevitably decline in the way of the Greeks and the Romans. In fact, if in a later century, a retrospective view were to be taken about the distribution of scientific and technological endeavour during our times, there could be a strong indictment of the present civilisation.

However, in spite of this diversion of significant effort to Defence purposes, the relevance of science and technology to the well-being of larger sections of society has come to be recognised increasingly because all governments are ultimately accountable for economic progress and not merely for Defence. It is this factor of "accountability" that often compels organisations as well as individuals to become more relevant.

TECHNOLOGY IN INDIA GOES 'CRITICAL'

Against such a historic perspective, I believe that our country is fast approaching, if it has not already reached, a point of criticality in the advancement of science and technology in the same manner as chemicals reach a critical point in their reactive transformation My belief is based on the following factors:

Throughout history India has preserved an intellectual class that was interested in sciences such as astronomy, astrology, mathematics, architecture, yoga ayurveda and metaphysics. We have thus sustained an intellectual base.

We have a political system which owes its existence and will owe its survival to the well-being of the largest proportion of people in the country. It cannot be preserved either by enriching a few or by territorial acquisitions. It is therefore bound to seek economic development which has inevitably to be based on technology that is relevant for this purpose

In independent India of the 20th century, we have been fortunate in having in both Pandit Nehru and Smt Indira Gandhi, Prime Ministers who at the highest political level have recognised the role of science and technology in economic development.

Science and technology being agents of change are radical in nature. India is in a ferment of change—change even in age-old social customs like dowry or the size of families. This radicalism provides an effective climate for advancement of technology.

If historically crises have often contributed to advancement of technology as was described earlier, we have one of the most potent crises on hand—the crisis of deprivation of at least 250 million people, not merely of firewood as it was in Britain of the 18th century, but of more basic necessities like food, clothing and shelter. It will compel us to find solutions in technology and that too in the none too distant future.

Fortunately for us, scientific knowledge and technology are cumulative and not exhaustible. During the last half century there has been a greater accumulation of technology than has taken place in the whole of the previous period of human civilisation. This has created a powerful potential force for flow of proven technology into our country.

In the same period, our country has built up the world's third largest force of scientists and technologists. As against 67,000 science graduates and 53,000 engineers in 1950, today India has over half a million science graduates and nearly half a million engineers. Even if one were to apply a factor for discounting the quality of some of these numbers, it is still a very impressive growth and a formidable number. It is also estimated that by 1985 our number of scientists and engineers will exceed 2 million which would be more than what several developed countries will have by 1985.

Instead of being confined only to elite universities, the study of science and technology has spread throughout the country. Coupled with improved means of communication, this has made science and technology more familiar to people at large and their usefulness is being increasingly realised even in the farming communities. Thus we have attained a level of receptivity for technology which did not exist even in many developed countries at a corresponding stage of their economic development.

India has now an industrial base to employ and to exploit the findings of scientists and technologists. The private sector has passed from the age of the trader-investor, who through hereditary management tried to obtain the fastest return, to a new class of professionals who are willing to invest in the future through R & D. The public sector is being increasingly weaned from the civil service umbilical cords and managed by people who have greater involvement and knowledge of the technology. All these changes must contribute to a greater and more rapid mastery and exploitation of technology for advancement.

The versatility of technology available in the country has expanded considerably in the last 25 years. In that period, we have acquired and successfully absorbed modern technology for steel, fertilizer, non-ferrous metals, machine building and heavy engineering. We have broken into petro-chemicals and atomic power.

For all these reasons I believe that India is on the threshold of great advancement.

RELEVANCE OF TECHNOLOGY

In this context, what should be the most appropriate test of relevance to be applied to technology for India today? Is it the ability to catch up in sophistication of products? Is it the production of better armaments, faster vehicles or bigger buildings? Perhaps only some of these, and certainly many others, are necessary. But the most relevant need in our country today is economic development, especially of the less privileged sections mostly located in rural areas.

There is a tendency to overrate technology merely because it produces something new or sophisticated or because it is imported. Much of the technology that is relevant to our current economic development will have to be for the production of more basic and therefore apparently simple products like foodgrains, edible fats, low cost housing, etc. Just because the end product looks simple, the technology need not be considered less sophisticated. Very often the technology for such basic needs cannot be imported and has to be developed indigenously. Therefore, such technology tends to be devoid of the label 'imported' which is almost synonymous with 'sophisticated'. We must learn to value technology more for its relevance to our basic needs than for any labels.

With that as the touchstone for grading technology, we should not be concerned so much with the complexity of any technology as with its potential to contribute to basic economic development.

It is also necessary to draw a distinction between what is spectacular and what is relevant. When ancient astronomers predicted the movement of stars or modern technology placed a man on the moon, it was spectacular. Popular opinion is most impressed by such spectacular feats of science and technology. But often the spectacular is not relevant to the generation that is impressed. They become relevant, only to the extent of, and only when, consequences from such feats benefit a sizeable part of population. And this usually takes a long time. For instance, the study of astronomy had over a period of time benefited early man in his planning of agriculture as it could indicate the periodic change in weather. Perhaps one day when the earth is overpopulated or new resources have to be imported from other planets, the space technology of today may have more direct relevance to the common man. The spectacular feats have to be thus converted into relevant technology before they become useful.

In the intervening period, in addition to spectacular achievements, each country has to try and develop what is currently relevant to its needs because all of us live in the short term. And the poorer a man or a nation is, the shorter is the available time horizon whether it is for planning or for reaching the end of one's tether.

EXAMPLES OF RELEVANT TECHNOLOGY

It will now be interesting to formulate some examples of technology that would be relevant to India. Over 70% of our population lives in rural areas and are engaged in agriculture. About 50% of our GNP is derived from agriculture. Therefore, anything that would improve agriculture would be at the top in any ranking by relevance.

Agriculture starts with the preparation of soil. Of course, everybody knows that it is best done by modern mechanical implements and a tractor. But how many farmers in India can afford to buy a tractor costing Rs. 60,000 and then to run it. It is no wonder that we have only about 300,000 tractors in the whole country. Therefore, to seek a solution exclusively through such advanced technology has only limited relevance in our country today. Let us, therefore, consider how the present system of preparing the soil by using bullocks and the plough can be improved. Is there a way of improving the tractive power of the bullock? An innovation which revolutionised agriculture in mediaeval Europe (in the eleventh century) was the adoption of a horse collar instead of a band across its breast. The band used to constrict the horse's windpipe whereas the collar pulling on the horse's shoulders did not create such a disadvantage. The result was a five-fold increase in tractive effort of the horse. Will it not be very relevant for one of our Institutes of Technology to study the problem of improving the efficiency of ploughing with bullocks or buffaloes?

Another area of great importance is the provision of improved seeds which can improve productivity of agriculture. Although very commendable work has been done in wheat, cotton and even castor seeds, there are very important crops still neglected, e.g. oilseeds.

Yet another facet of agriculture is the use of agricultural and forest waste. The production and use of gobar gas is an example of this. But the biggest product of agriculture is the cellulosic material it creates in very much larger quantity than the millions of tonnes of cereals and pulses. After all, cellulose is not chemically very different from carbohydrates. Can a technology be evolved to upgrade it for human or more effective animal nutrition?

The whole field of water management for agriculture is something that agricultural scientists alone cannot tackle. Are we attracting enough civil, mechanical and chemical engineers to evolve new technology for (a) conserving water, and (b) more economic utilisation of water?

These are a few examples (necessarily somewhat speculative) which could illustrate what could constitute "relevant technology" for India. But to pursue such relevant technology, it is necessary to engage and attract a larger proportion of our new generation of scientists and technologists away from the spectacular and the seemingly sophisticated to the relevant. Will it not be more relevant for a larger proportion of our young engineers to work on problems of agriculture than on computer technology? Of course, the country needs both but perhaps more of the former. Yet, at present, our young technologists seem to be more attracted to the latter. What seem to attract them to such glamorous areas of technology are the monetary rewards and the professional recognition that are more readily obtained in those areas. Therefore, it is very necessary to make the rewards and satisfaction more attractive in the more relevant areas. For the cumulative effect of a large number of even minor improvements in agriculture, transport, mining and production of basic goods can be far more important to our economy than occasional dramatic feats in highly advanced technologies.

OUR CONTRIBUTION TO RELEVANT TECHNOLOGY

Responsive Evolution of the Company

Your Company has evolved over the decades and has responded to this era of technology and science. This Company started in the last century as a trading company, which imported and sold goods through agents. Later on it became a marketing company with managers who were engaged to find out what the consumer needed and to serve the market accordingly. The next stage was for us to become a manufacturing company. This led to a mastery of technology involved in our manufacturing operations and a widening of the technological base. And the most recent stage in this evolutionary process has been our investment in science, i.e. R & D in the last 20 years. This has provided more basic understanding and thereby further enriched the technological base, and its relevance to the needs in India.

There has also been a corresponding change in the composition of the Company's management team. Today more than 50% of our managers are scientists and technologists and it is no accident that three out of the four Chairman appointed in the recent past have been technologists. This responsive evolution of the Company has enabled it to make contributions in science and technology related to the areas of our business.

Examples of our contribution

Let me now give you some examples of relevant technology that has been developed and used or is in the process of development, as a result of our investment in science and technology.

Oils & Fats

Our major area of expertise and interest—one flows from the other—is that of oils and fats. As a result of almost 15 years of R & D work, we have obtained an insight into the chemistry of most of the oils and fats available in India and have developed original plant-scale processes to upgrade unconventional oils for use in consumer products.

(i) Let us take the example of castor oil Scientists have known the fatty acid composition of castor oil for many decades and the fact that ricinoleic acid in castor oil causes undesirable properties if used in soap making. Therefore, castor oil, although nonedible and available in large quantities (almost 100 000 tonnes per annum) could be used and is still used by most other soap manufacturers only in a very low proportion in soap making. Higher usage causes problems both in processing the soap and in the quality of soap in usage by the consumer.

Yet, higher levels of usage of castor oil in soap making would not only release from soap making a corresponding quantity of possibly edible oils, but also provide a more steady and better value for castor which is cultivated mostly by marginal farmers. As India is a fat-short economy, it would also result in saving import of oils.

These considerations led us to examine castor oil more closely. While the concept of dehydroxylation of castor oil had been known widely, we developed for the first time the optimum conditions for plant-scale dehydroxylation in such a manner as to render the processed triglyceride suitable for increased usage in soap making. This process has been patented by us. In actual plant operations, further improvements have been made and as a result, today we are in a position to use about 20,000 tonnes per annum of processed triglycerides from castor oil. We are now working on further improvements in technology, e.g., vapour phase reaction to improve efficiency and to provide a still better quality product.

(ii) Or take the case of sal fat. When a forest contractor from Orissa approached us several years ago with a small quantity of sal seed, it was known that it had sal fat which had a very greenish colour but could be used in the manufacture of certain grades of soap. So we encouraged him to collect and supply the seed for extraction. The sal tree sheds its seeds in the forests of Orissa, Madhya Pradesh and Uttar Pradesh, in a few weeks before the monsoon. The collection and usage of sal seeds have a greater relevance as it provides productive employment and income (*albeit* seasonally) to a large number of the most underprivileged people in our country.

It was known that sal fat has a triglyceride configuration which could impart quality characteristics similar to cocoa butter which is very expensive and is essential for the manufacture of chocolates. But this knowledge had to be translated into technology which could upgrade the crude fat into an acceptable triglyceride. We have succeeded in doing so through fractional crystallisation and in finding a market for it among the chocolate makers of the world. The process is now in plant-scale operation and in 1975 we exported 2,200 tonnes to earn foreign exchange of Rs. 4 crores. But still there are areas of ignorance around the chemistry of sal fat. We still do not know the trace impurities that seem to cause considerable variation in the user characteristics of the end product. Is it caused by something in the different species or in the soils? Does it happen during storage or extraction? R & D work continues.

Nutrition & Biology

Because of our involvement with foods, we have developed over the years a R & D nucleus in biological sciences. An area of great interest to us is human and animal nutrition—both of which are of considerable relevance in our country.

(i) A significant contribution was made by us in the formulation of an economic but nutritionally balanced diet for the 'Sukhadi' programme operated during the famine of 1972 in Maharashtra. Our R & D laboratory evolved the formulation which was freely given to and adopted by the relief agency operated by Maharashtra Government through Sadguru Seva Sangh. It was a very gratifying example of how R & D in the private sector could contribute to public programmes for alleviation of suffering.

(ii) In the field of animal nutrition it is now possible to observe and analyse the process of rumination and digestion in a live animal by a new method of fistulation. This enables scientists to understand more fully how a goat or buffalo derives its nutrition from different materials it consumes and how these materials undergo changes during the period of their being processed in the ruminant's stomach. Such a scientific understanding will lead to better formulation and nutrition.

(iii) Another very different but interesting piece of biological work our scientists have completed is with regard to prawn farming. Instead of having to harvest the prawns from the sea, can we grow them in ponds in the wasteland near the sea or inland? This could make considerable difference to the fortunes of the fisherfolk who have an uncertain source of income. Selection of variety, formulation of special feed, optimisation of conditions for growth etc. were areas of research. As a result, we have evolved a process for prawn farming which is ready for large-scale trials. Since we are not in a position to exploit it commercially, this technology is available for exploitation by more suitable agencies.

(iv) Complementary to our work on oils and fats and because of our involvement in the area of animal nutrition, we have developed technology for detoxification of several conventional and unconventional oil cakes. For example, Indian groundnut extractions are at a discount in the export market, (mainly Western Europe) because of the possible presence of a toxin called aflatoxin Cottonseed extractions cannot be used in significant quantities in feeds for non-ruminant animals because of the toxin gossypol present in it. Sal extraction has tannin as a toxic element in it. We have now developed processes for detoxification of all these. Our scientists are working on detoxification of even one of the more difficult cakes, namely castor cake. We believe that blessed with a significant amount of sunshine which is the source of all photosynthesis, India has the potential to be a supplier of protein to the world—provided we can develop technology to process and upgrade our proteins.

Toxicology

This is a branch of science and technology which is new to our country except in the pharmaceutical and medical world. But as we are using increasingly more indigenous unconventional materials, it is necessary to undertake toxicological testing to determine the safety of these materials in actual use. For example, before raw or processed sal extraction was used in cattle or poultry feed it was necessary to determine the toxicological effects and safety limits. Several new techniques in toxicology have been introduced and adapted by our scientists for such testing.

Agriculture

A major part of our business is based on agricultural products—oils and fats, oil cakes, etc. We know that it is essential to raise the production of oilseeds in India. In addition to funding extension work on groundnuts through the Vanaspati Manufacturers' Association, we have now directly undertaken research in sunflower which we think holds significant promise in this country as it did in USSR, Eastern Europe, Turkey and lately in Pakistan. The major problem with regard to sunflower is the evolution of a suitable variety for India We have initiated varietal trials and breeding by our own agricultural scientists. Can we get a sunflower that will droop and prevent picking of seeds by birds? Can we get more drought resistance? Which variety will give more yield? We are seeking answers to these and similar questions. Although we are not going to be directly involved in agriculture, we hope to make effective use of our findings through universities and extension work The experience we had gained in upgrading the variety of peas (from desi to Bournvelle) in Western U.P. in the sixties and from the extension work with essential oil plants in U.P., Assam and South India is now proving useful in this new effort.

Chemicals

We are makers of chemicals—catalysts, fine chemicals, oleo-chemicals—and in future, heavy chemicals.

(i) A significant contribution has been in the manufacture of Nickel Catalyst for hydrogenation. In addition to providing an improved variety of catalyst through R & D, 80% of nickel requirements can be met from recycled material thereby effecting significant saving in imports.

(ii) Our Fine Chemicals manufacture receives considerable backing from R & D. We have evolved processes for as many as 20 chemicals in the last few years. In one of them the technology is available only with two other parties in the world We have already agreed to sell this technology to another party in India

(iii) R & D of even greater relevance but in a somewhat longer time span is our attempt to use microbiology for production of chemicals. One of the most significant advances in science in recent years has been the understanding of biology at the molecular level This enables us to manipulate bacteria and use them for specific purposes. We have already succeeded in producing glycerol from molasses biochemically at twice the concentrations reported in previously published work. We are now working on biochemical conversion of an agricultural waste into a chemical which could revolutionise a common household product. These are bordering on the speculative, whose relevance may be only in the future,. But in the meantime we have developed a very sound base in the understanding of mutation of micro organisms, the technology of fermentation and all the allied scientific and technical problems and a capability in the emerging field of biochemical processes.

Process Technology & Equipment

A very important area which is somewhat neglected in our country is that of process technology. All R & D does not have to begin with the fundamentals of science. A very rewarding base for R & D is existing processes in established industries. It has a great deal of relevance in India because of the following reasons:

(a) Engineering technology in India has advanced considerably in the last 20 years and therefore it is possible to undertake R & D in process technology.

(b) Process efficiency has to be optimised with reference to consumption of materials, quality of product, cost of equipment, usage of labour and energy. The balance of these factors are in many cases different in India as compared to more developed countries. Therefore, the technology relevant to us could be different and has to be developed and assessed locally.

(i) Take, for example, the extraction of glycerol from soap. Through R & D we have been able to develop a technology which is unique in India and which does not require high speed centrifuging (involving imported equipment and high power consumption) and yet extracts the glycerine with high efficiency. It takes a little more space and labour both of which are cheaper in India than equipment of energy.

(ii) Or take the manufacture of synthetic detergents. We have by now developed the technology for manufacture of all the equipment required for sulphonation, high pressure blowing, airheater, control panels etc. so that the entire plant can be indigenous. And there are many other examples of developing process technology and equipments more relevant to our needs.

MANAGEMENT OF SCIENCE

In the old days, scientists, like artists, had to be left almost entirely to be guided by their inspirations. Most scientific work centred around individuals. These characteristics still persist in academic science.

However, for the successful application of science and technology to industrial and economic development, the effort has to be managed. First of all, there has to be an agreed set of objectives for R & D work. Secondly, those who are responsible for sponsoring the work as well as the scientists who carry out the work have to accept the discipline of accountability. Thirdly, most scientific work today has to be conducted as team work involving inter-disciplinary effort which in turn has to be dovetailed to economic objectives. All these call for management of science.

In fact, in the absence of such management of science, frustrations can arise among scientists because of (a) lack of direction and purpose for their work; (b) the absence of accountability either to evaluate or to utilise their findings; and (c) the absence of linkage with, and feed back from, end-users of their technology. The scientist and technologist need direction, recognition, reward and restraints like all other managers do. These can be provided through the well-understood principles of management. This is necessary to make science and technology relevant to agreed objectives.

Your Company has acquired some valuable experience in the management of science. We have instituted a system of Projects Planning and Monitoring. A major part of R & D work consists of projects each of which has been discussed and agreed with the relevant operating management group in the Company, which is responsible both to provide the funds for the work, as well as for utilising the results of the R & D work. Each project has an agreed set of objectives, an estimated cost, an expected time span for completion and an approximation of the chances of success. On the basis of these parameters the operating business group and the R & D group enter into a mutually accountable system of monitoring progress.

However, while the operating management are organised according to product groups, the R & D personnel are organised according to scientific disciplines. Any given project may require a combination of different scientific disciplines e.g. Organic Chemistry, Surface Chemistry and Chemical Engineering. To reconcile these, a matrix form of management is used whereby scientists come together in inter-disciplinary project teams while still remaining as part of their respective disciplinary groups.

This system of managing science has resulted in (a) more purposeful results from R & D ; (b) greater satisfaction and recognition for the scientists who can see all their work evaluated fairly and many of them adopted in practice; and (c) better appreciation and responsibility for R & D work among senior operating managers. In short, it has made R & D more relevant to the business.

However, we are conscious of the fact that in our anxiety to pursue what is relevant for today, it is necessary to preserve and nurture the spirit of scientific exploration. Therefore a portion of our R & D effort is left to the total discretion of the scientists and technologists without any immediate linkage with the operating business. This freedom to explore is vital for the scientist to preserve his skills and to seek excellence. Thus our management of science tries to achieve a blend of excellence as well as relevance.

CONCLUSION

We are in the business of developing technology that is relevant to the consumer—in the India of today and tomorrow; in the India of small towns and villages.

Relevance is dynamic; it changes with time. Therefore, whilst we should always apply the test of relevance to technology, we should also look ahead to see what might be relevant tomorrow. It might involve some projects that may appear to be speculative. Can we make synthetic fatty acids from petroleum and do so more economically than the Russians and the Japanese? Can we upgrade cottonsseed protein to make it edible for human beings, thereby making available over 2 million tonnes per annum of protein source richer than wheat? Can we find out more about ageing of people—what causes their skin and their hair to age? Can we understand more clearly the way toxins work and create processes that will eliminate toxins from materials that can be used for animal nutrition? The answers to these and similar questions may provide some of the technology that will be relevant for the socially purposeful survival of your Company.

Note : *This does not purport to be a report of the proceedings of the Annual General Meeting.*

Sundaram Finance Limited

37, Mount Road, Madras 600 006

Speech delivered by Shri T. S. Santhanam, Chairman, at the Twenty-second Annual General Meeting of the Company held on 14th June, 1976, at Madras.

Dear Friends:

I have great pleasure in welcoming you to the 22nd Annual General Meeting of your Company. The Directors' Report, the Audited Balance Sheet and the Profit & Loss Account for the year ended 31st December, 1975, have been circulated to you and with your permission, I shall take them as read.

WORKING RESULTS 1975

I am happy to inform you that the Company had yet another successful year of operation during 1975. The working results disclose a sharp rise in the gross income from hire purchase business and from other sources, as well as in the net profits before taxation. The amount advanced on hire purchase contracts during 1975 stood at Rs. 1,309.77 lakhs as against Rs. 1,336.23 lakhs in the previous year. The stock-on-hire representing the total amounts outstanding under hire purchase agreements stood at Rs. 2,123.15 lakhs as at 31.12.1975 against Rs. 1,776.32 lakhs as at 31.12.1974. The earnings under hire purchase transactions in 1975 were Rs. 314.26 lakhs compared to Rs. 219.36 lakhs during 1974. The administrative expenses were higher at Rs. 45.37 lakhs as compared to Rs. 34.20 lakhs in the previous year. This can be attributed to variable expenses directly relating to higher volume of business done during the year as well as other factors, which were beyond our control.

DIVIDEND

Your Directors have recommended a dividend of 16% for the year 1975. Under the provisions of the Companies (Temporary Restrictions on Dividends) Act, 1974, as amended, Immediate Dividend shall be 12% on the Paid-up Capital and the balance of 4% is payable in two equal annual instalments, i.e., one in July, 1976, and another in July, 1977 together with interest at 8% p.a.

BONUS SHARES

You will be pleased to note that your Directors have recommended the capitalisation of an amount of Rs. 50 lakhs from the 'General Reserve' of the Company and the issue of Bonus Shares at the ratio of one equity bonus share of Rs. 10/- each for every two equity shares of Rs. 10/- each held by a shareholder. The Bonus Shares will rank *pari passu* in all respects with the existing shares of the Company and shall be entitled to participate in any dividend that may be declared for any financial year commencing from 1st January, 1976. After the approval of this proposal at this Meeting and after obtaining the sanction of the Central Government, the Bonus Shares will be issued to the shareholders whose names stand on the Register of Members of the Company on a date to be decided by the Board of Directors.

DEPOSITS

I am glad to state that the Company continues to enjoy the confidence of the depositors. The total deposits with the Company as at 31-12-1975 stood at Rs. 1,177.50 lakhs compared to Rs. 968.17 lakhs at the end of 1974.

ECONOMIC CLIMATE

In my last two reports, I have been referring to the paramount need to tackle the problem of inflation affecting the country and bring down the prices of basic necessities. I am glad to note that as a result of the various measures taken by the Central Government, the raging inflation has been contained and there is a general decline in the price level of essential commodities.

STATE OF AUTOMOBILE INDUSTRY

The serious problem faced by the automotive industry today is the fall in demand for passenger cars and commercial vehicles, particularly the former. Government, both at the Union and the State levels, has been trying to prop up demand by marginal fiscal reliefs in respect of passenger cars. By the joint efforts of the Central Government, automobile manufacturers, automobile ancillary producers and the dealers, it has been possible to bring down the price of passenger cars to an appreciable extent. Many State Governments have reduced the sales tax on passenger cars sold in their States. It is hoped that these measures will help to improve the demand for passenger cars.

The off-take of commercial vehicles has been affected due to the high cost of chasses, increase in motor vehicles tax by the States and rise in operational costs. It is gratifying to note that the Tamil Nadu Government has recently allowed a fare rise of 1 paisa per kilometre from the middle of March, 1976. It is felt that this will, to some extent, improve the profitability of the passenger transport operators.

Above all, the threat of nationalisation of passenger road transport inhibits the replacement of old buses by new ones. As a cumulative effect, the demand for new passenger chasses continues to show a downward trend.

DEVELOPMENT OF ROADS

The expenditure on roads, which represented nearly two-thirds of the revenue from motor vehicles tax of State Governments and the fuel tax of the Union and State Governments during the First and Second Plans, has come down to less than 30% during the Fifth Plan. Roads serve not only the Road Transport Industry, but are an essential communication system for the 700,000 villages in our country and are used by nearly 20 million bullock-carts, hand-carts and pedestrians. Government should seriously consider giving a boost to the expenditure on roads, by doubling what it has been spending to increase the road mileage and bring every village with a population of 500 and above within the reach of the National Highways, State Highways and major district roads. We have now a surplus of bitumen and the surfaces of the roads have also suffered considerably during the Third, Fourth and Fifth Plans. A 100% increase in the expenditure on roads, road construction, road surfacing and maintenance will bring about a substantial increase in the employment potential at the villages, as agricultural labour can be employed during the off-season for this purpose. This will augment the income of the agricultural worker and provide greater employment opportunities for the people in villages and small towns. Improvement in the roads and the road surfaces will bring about a reduction in the consumption of fuel and wear and tear of the tyres and spare parts, which will be a national saving. This will help the road transport and automobile industries to attain the Fifth Plan targets.

PROSPECTS

Agricultural production and production of foodgrains touched a record level during the year 1975-76. Buffer stocks of foodgrains have been built up to satisfactory levels as a result of brisk procurement operations of the Central and State Governments. This was possible due to good monsoons, both South-West as well as North-East. The power position has vastly improved and there may not be any power cut in the Southern Region.

The declaration of Emergency has brought about a healthy climate in commerce and industry and better industrial relations. With a repetition of a good South-West and North-East monsoon, there is every possibility of a boost in the economic activity by the end of the year. The increase in Plan expenditure for 1976-77 will also have a favourable effect on the economy by the end of this year. The State Governments have not fully relaxed the movement of foodgrains between states and within the State. We hope that they will remove the restrictions resulting in the pick-up of the goods traffic by road.

Next to food, clothing and shelter, transportation is a basic necessity and is an essential infrastructure for the development of commerce and industry. It is indeed heartening to note that this fact has been acknowledged in the 20-Point Programme announced by our revered Prime Minister. We welcome the decision to issue National Permits for transport of goods, which will greatly facilitate the free movement of goods from one end of the country to the other. It is in this context, the move announced by the Union Transport Minister to abolish octroi in some of the States, is most welcome. Your Directors hope that the Central and State Governments will come to a decision in favour of abolition of octroi and check-posts. This will help speedy movement of goods, which is vital for the efficient functioning of trade and industry and will also result in the saving of fuel.

The unmatured finance charges as at 31.12.1975, viz., the finance charges which are available for appropriation in the future years in respect of the hire purchase contracts executed in 1975 and earlier years, have touched a record level of Rs. 449.90 lakhs as compared to Rs. 340.86 lakhs as at 31.12.1974. This was possible on account of the payments against hire purchase documents exceeding Rs. 1,300 lakhs each during two successive years, 1974 and 1975. The payments during the first 5 months of 1976 amounted to Rs. 453.67 lakhs as against Rs. 450.83 lakhs for the corresponding period in 1975. Your Directors are confident of maintaining the profitability of the Company in the current year also.

ACKNOWLEDGEMENT

On behalf of the Board of Directors and myself, I wish to place on record my appreciation of the good work done by all the members of the staff of the Company.

I also wish to express my thanks, on behalf of your Company, to all the depositors and customers for their continued support.

Finally, I thank all the members present for making it convenient to attend the Meeting

This does not purport to be a record of the proceedings of the Annual General Meeting.

SAA/SFI/2160

Mahindra Ugine Steel Company Limited

Statement of the Chairman, Mr. Harish Mahindra

Following is the statement of the Chairman, Mr. Harish Mahindra to the Members on the occasion of the 13th Annual General Meeting of the Company held in Bombay on the 28th June, 1976.

THE EMERGENCY declared in June last year was in many respects a catharsis. There have been many gains from this drastic measure. It has brought about disciplined conduct in public life. It has enabled the initiation of progressive socio-economic policies.

Since the middle of last year, there have been other important gains including political and economic stability, which are so pivotal for progress and which constitute a bulwark for rapid growth. In this sense, in the past a heavy price has been paid in terms of lapsed time by including in the luxury of disturbance and disorder. Having performed this quantum-jump from chaos to order, let us resolve that there will never once again be an atavistic reversion to the politics of turbulence.

Business has been successfully interacting with the Government and there are no major differences of opinion between the two as regards the broad aims and objectives of economic growth. But in the formulation and implementation of policies in respect of complex issues, it is not unexceptional that there is no unanimity. Nevertheless, there is a frank exchange of views between the Government and Business at every point of contact. There is also a general undercurrent of liberalism in most Government policies. It is the business of Business to take full advantage of the present helpful situation and boost industrial investments. Our latent promotional capabilities must be stretched to the maximum extent.

While the climate for rapid advancement in the economic field is now most conducive, there are, however, a few policy areas where clearer thinking is required. For instance, the price situation appears to be the arbiter in much of decision-making in regard to pulling industries out of dull business conditions as well as in regard to quickening the tempo of growth and development. The Government itself has acknowledged the state of listlessness in several ways, such as by the introduction of fiscal measures to provide relief and to expand demand, increasing the plan outlay for Centre, State and Union Territories by an unprecedented 31.6 per cent in the current year over the previous year, liberalisation of imports to actual users and exporters and so forth. What needs to be underlined here is that although the proposed outlay for 1976-77 of Rs. 7,852 crores constitutes the largest step-up in investments, nevertheless during the last two years of the Fifth Five-Year Plan as much as Rs. 18,588 crores would have to be raised or an average of Rs. 9,294 crores during the two year period ending 1978-79, if the Fifth Plan outlay of Rs. 37,250 crores is to be met. This would pose a formidable challenge not only to the Government but also to the private sector, from which during the Fifth Plan period there would be a net transfer of resources of as much as Rs. 14,000 crores. The point here is that Industry could be said to be poised for rapid growth only when they have no short or long-term problems of serious under-utilisation of established production facilities. This aspect has not received the attention it really warrants. Secondly, there is as yet no Fifth Plan document delineating these issues so that the units and individuals both in the Public and Private Sectors may brace themselves to the tasks ahead. Thirdly, it was a totally different set of circumstances, high speed inflation in particular, that decreed a package of stringent measures, which I have mentioned earlier. Although the objectives of anti-inflationary strategy have been achieved, this has not been without a sacrifice of buoyancy in the economy and a contraction in economic activity, the tell-tale signs in this respect being the post-haste fall in the demand for a number of items like steel, cement, fertilizer, textiles and others. Therefore, keeping in mind the leads and lags that revival measures involve—longer than those of deflationary measures—a returning of the economic policies particularly those relating to credit restraints and interest rates brooks no delay, especially for purposes of hastening the expansion in economic activity. It should be added that while enforcing the Tandon Committee norms, a special effort may be made not to leave out of account the peculiar difficulties of individual borrowers and where there is justification, a relaxation may be made in such norms. At the same time the Banks may be free to oversee the end-use to which the credit has been put.

White Paper on Steel

Earlier this year, in my capacity as President of the Federation of Indian Chambers of Commerce & Industry, I had emphasised the need to think in unconventional terms to promote India's development. In this context, I had suggested that to bring about a transformation of our predominantly agricultural economy into an industrial one, we must have an ambitious 10-year plan providing for 100 million tonnes of steel, 200 million tonnes of cement, 250 million KW of electricity generating capacity and so forth. It is heartening to note that the Government themselves are thinking along the same lines. In this White Paper on the 25-year roll-on development plan of the Iron and Steel Industry laid on the table of the Parliament last month, a tentative target of around 75 million tonnes of steel-making capacity by the end of the century has been hinted at. The investment cost per tonne would amount to as much as Rs. 14,000 in 1993-94 as against Rs. 4,600 1974-75 at the present rates of inflation. However, it would be misleading to give a per tonne capital cost of Rs. 4,600 or Rs. 14,000 or any other figure without mentioning the nature of the post-ingot stage facilities intended to be created, inasmuch as the product-mix has a bearing on the capital cost.

Economics of EF Operations

The role of the Electric Arc Furnaces, which at present have an installed capacity of about 3 million tonnes and a licensed capacity of 5.5 million tonnes (liquid metal) in augmenting production appears to be de-emphasised for two reasons. Firstly, even at present there is an acute shortage of scrap, availability being of the order of 2.2 million tonnes and requirements, if the furnaces are worked to full capacity, being almost double that. The units in the Electric Furnace Industry have been working constantly under the fear of soaring scrap prices every time capacity utilisation in the Mini Steel sector goes up beyond 40/50 per cent. As a solution to the emerging shortage, a far-sighted decision has been taken for setting up a string of sponge iron plants all over the country. Assuming that by 1985 all the licensed capacity of 5.5 million tonnes would have been installed and there would be adequate availability of power and the feed-stock of scrap/sponge iron, to work such units to their full rated capacity, the EF Industry inclusive of the Castings and Alloy and Special Steel sectors should be able to contribute about 4.5 to 5 million tonnes (depending upon the progress in implementing the projects) or between 25 to 35 per cent of total steel production.

In about 5 years when the Bombay High yields 10 million tonnes of crude oil and when gas from the Bassein structure, where large volumes of reserves have been discovered, would also be tapped, there would be an abundance of this strategic fuel and energy source. This potential surplus has awakened interest in Midrex and HyL Direct Reduction Processes based on natural gas, inasmuch as, they would provide a solution to the appropriate use of such a bonanza. The authors of the White Paper, from this angle, should be commended for alerting the authorities that they should be ready with Sponge Plants by the time gas starts flowing, which, according to the Minister for Petroleum, would be not later than 2/3 years.

For the Electric Furnace Industry, the year 1975 was a very difficult and trying one. Over a hundred units shut down their operations, being not able to find a market for their products. They were priced out of their stronghold viz. Bars and Rods market by the Integrated Steel Plants. After numerous representations to the Government in regard to the inherent cost handicap of the Electric Furnace Process, the Union Government took a sympathetic view in November last year and reduced the effective rate of excise duty on ingots produced in Electric Furnaces from Rs 200 to Rs 50 per tonne. There is ample justification for elimination of the whole of the balance of the excise duty of Rs 180/- on Electric Furnace products, inasmuch as they are made out of steel scrap, which in its prime steel condition has already borne its full share of the excise burden. The Government has actually accepted this logic by totally exempting from excise duty products of the Re-rolling Industry made out of re-rollable scrap, inasmuch as the burden of excise duty had already been imposed on such scrap when it was prime steel. Just because the process of recycling is much longer in the case of EF Industry, there is no justification for not going by the same logic.

In this setting, the January 1976 decision of the Supreme Court in the case of the State of Tamilnadu V/s Pyarelal Malhotra, setting aside the award of the Madras High Court and restoring the orders of Sales Tax authorities would not only impose a fresh burden on the Electric Furnace units, but would also push up their prices making their products still more unattractive and uncompetitive. It has now been held that iron and steel manufactures even if they are made out of ferrous scrap material which has already borne the Sales Tax in one way or the other could be taxed again. Manufacturers and dealers would not be entitled to the customary resale claim albeit the fact that the different sub-entries belong to one single category of 'declared' goods viz. iron and steel. At one stroke this new burden has taken away a sizable chunk of the benefit derived by electric furnace units by way of reduction in excise duty from Rs 200 to Rs 50 per tonne.

Excise duty relief, the lifting of the restrictions on construction activity, the slightly better price realisation for electric furnace products in recent months and a couple of other favourable developments have not so far served to resuscitate Mini-steel units and they continue to languish. The increasing trend in the prices of scrap over the past four months has not made it any the easier for them to start afresh. The loss in terms of employment, national income, revenue to the Government, and delays in the repayment of loans and interest to term-lending institutions/banks and so forth are by any criteria grave and pressing issues that call for urgent aid to restore health and vigour. A package of policy measures including financial succour, cash incentives for exports and total exemption from excise duty and sales tax at the product-stage would definitely revive this vital segment of the Steel Industry.

Diversification of the product-mix of the Mini-steel units into Alloy and Special Steels as a solution to the crisis in the Industry is firstly not always feasible on account of several practical constraints such as lack of funds for additional technical inputs as well as for sophisticated plant and equipment and others. Secondly, according to the estimates of the Ministry of Steets themselves, where such diversification is feasible, the market for Alloy and Special Steel being limited, it would very soon be saturated with supplies, even if a fraction of the total number of units opt for such diversification. As it is, the existing and established units in the Alloy Steel Sector are faced with the problem of unlifted finished products and loan order books.

In this somewhat disheartening situation, one welcomes the appointment of two well-known consultancy firms for the purpose of undertaking an indepth study of the technical inadequacies, requirements of balancing equipment and other related issues. It should be hoped that their recommendations would improve our insight into the nature of the problems and particularly, how best the immediate and long-term development programmes of the tonnage steel plants can be interlaced with those of the Mini-steel units. Also the announcement regarding the proposed creation of a separate cell for the Mini-steel units in the Ministry of Steel has not come a day too soon. The cell should enable the Government to bestow special attention on the plight of the units and come forward with relief measures more promptly.

The wide gap between the requirements of scrap and its availability is not only in the case of the higher density categories of steel scrap but also in respect of those on the merit list for export purposes. Besides the better use of all available indigenous scrap, this predicament would necessitate its improved collection and recycling as also imports of substantial quantities thereof. Under these circumstances it is puzzling as to how one could come forward with a suggestion to relax the present export curbs! The suggestion if implemented would be detrimental to the EF units in more ways than one. Exports would not only accentuate the requirements-availability imbalance but would also push the scrap prices up to the exhorbitantly high levels of mid 1974, adding still more units to the sick and infirm list.

In regard to imports of melting scrap which is likely to become a sheer necessity if demand for the products of the Industry picks up and the power position is satisfactory, it must be pleaded that since so far there have been no imports and the present duty of 40% on scrap has been only a paper source of revenue and has not yielded any revenue to the exchequer, it might as well be scrapped. Imported scrap should also be inexpensive if it has to be used at all. It is advisable that the MSTC through which imports are canalised in consultation with the Industry draws up a plan for scrap imports after duly satisfying itself about the quantum of the emerging scrap shortage.

Power

As against the average power deficit of about 3% in the country, Maharashtra has a deficit of more than 5%. In absolute terms the shortage of power in Maharashtra is reported to be about 2 million KWH per day. The power cut in the State continues to inhibit production and viewed from a perspective planning angle, the shortage of power in the State is likely to assume alarming proportions in the years to come, unless steps are taken on a war footing to increase the power generation in the State by establishing super-thermal stations. Sooner the integrated grids are created, greater would be the flexibility for diverting power from the surplus States.

The cost of power supplied to Electric Furnaces is of decisive importance in the overall cost of production. Next to scrap, it is the largest cost element in electric furnace steel production. Therefore, power is not only a prime mover but also a basic raw material. The power cost in Maharashtra for electro-metallurgical operations works out to more than 22 Paise per unit as compared to an average rate of 16.64 Paise in the Punjab, 18.23 in Rajasthan 18.30 in U.P. and 17.04 in M.P. I, therefore, reiterate my earlier pleas that restructuring of the tariff for electro-metallurgical industries in the State of Maharashtra with a view to bringing down the unit cost, should not be deferred any longer.

Expansion

With the fruition of the merger of Bank of Baroda Ltd. with the Company, I have now great pleasure in welcoming the shareholders of the erstwhile BOB Ltd. into our family which will, thus, get enlarged to around 13,700 shareholders. You would not have failed to note in the Balance Sheet that during 1975, compared to the relevant data for the previous year, there have been sizable increases in all assets. This is mainly on account of the receipt of about Rs 8.15 crores in the form of deposits and cash, consequent to the amalgamation of Bank of Baroda Ltd. with your Company.

This amount has been earmarked for the expansion programme already underway.

There has been satisfactory progress in the implementation of the project for expanding the capacity from 24,000 tonnes to 60,000 tonnes per annum of finished tool, alloy and special steels. Most of the major items of plant and equipment are expected to be received between the 4th quarter of 1976 and the 1st quarter of 1977. Excavations for buildings and plant and equipment foundations have practically been completed. Considerable headway has been made in fabricating the steel structures for the buildings. The 4th bay of the heat treatment and finishing shop building is nearing completion.

Your Company is making a reappraisal of the capital cost of the expansion programme, having due regard to the steep appreciation in the values of foreign currencies in terms of the Rupee, escalation in cost of plant and equipment and the need for import of certain items of plant and equipment originally contemplated to be procured indigenously.

The expansion project is scheduled for completion by the end of 1977. Once commercial production at your Company's 60,000 tpy. plant is established, it will be geared to meet the special requirements of some of the key and strategic sectors, such as, defence and defence-oriented industries, commercial vehicles and automobiles, tractors, aircraft, atomic energy, space technology and so forth.

Outlook

The working results of the Company during 1975 have been dealt with in the Directors' Report. I am happy to inform you that your Company's order book position continues to be satisfactory mainly on account of the reputation your Company has built up as a dependable supplier of sophisticated alloy and special steels notched to the special requirements of individual consumers. Total sales realisation during the first 5 months of the current year were of the order of Rs 668.07 lacs as against Rs 514.22 lacs and Rs 538.73 lacs during the corresponding periods of 1975 and 1974.

It is heartening to record here that your Company has been exploring several other business avenues with a view to broad-base its business activities. Firstly, as has been stated in the Annual Report, we are in the process of acquiring 14,500 Equity Shares in the Capital of Wheelabrator Alloy Castings Ltd. (WAC). WAC's Plant is located very close to our Plant in Khopoli. We have offered technical assistance for putting the operation of WAC on a sound footing. The terms and conditions governing the offer of technical assistance would be of considerable benefit to your Company, as it would enable your Company to utilise optimally its own post-ingot stage facilities, particularly after Expansion. Secondly, the Merchandising Division of your Company has made a beginning in the exports of pharmaceutical intermediates.

Note : This does not Purport to be the Record of the Proceedings of the Thirteenth Annual General Meeting of the Company.

THE INDIAN SMELTING & REFINING CO. LTD.

Regd. Office : Bhandup, BOMBAY 400 078

NON-FERROUS UNIT :
Lal Bahadur Shastri Marg
Bhandup, BOMBAY 400 078
Cable : 'LUCKY' Bhandup
Phone : 584381

FERROUS UNIT :
Pokhran Road
Thana, Maharashtra
Cable : 'MALLEABLE' Thana
Phone : 593851

Telex : ISARC 011-2384

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Haryana Financial Corporation

Speech of the Chairman, Shri M.C. Gupta, I.A.S.

The following is the speech of Shri M. C. Gupta, I.A.S., Chairman, Haryana Financial Corporation, delivered at the Ninth Annual General Meeting of the shareholders held on the 21st June, 1976 at Chandigarh.

Friends,

I indeed feel privileged in meeting you, the shareholders of the Haryana Financial Corporation, this day to present to you the Directors' Report and audited statement of accounts for the year ending 31st March, 1976. These documents have been with you for some time now and I trust I have your permission to take them as having been read. The year under reference has been, perhaps, the most significant in the post-Independence era. A year ago, almost to the day, the country was struggling to get out of the quagmire of indiscipline, dissensions, runaway inflation and a general contempt for law and order. The common man and the small entrepreneur had to pay the price as man-made shortages and the distorted pricing of articles of daily need both for consumption as well as inputs kept on soaring. The parallel economy which is gathering greater momentum held a vicious grip on the economy of the nation. The strong measures taken a year ago to restore the economic and social order came as a shot in the arm. The nation has not looked back since. The cumulative effect of the vigorous drive launched against the smugglers, the tax-evaders and the hoarders and other anti-social elements, alongwith greater emphasis on providing support to legitimate productive endeavours, the rationalisation of credit facilities so as to withdraw credit from those who were seeking to enrich themselves at the nation's expense, the diversion of these funds for better use and for augmenting production, and a general toning up of administration, simplification of the licensing procedure brought about a stabilisation, in fact, even a reduction in the price-index to the relief of everybody and to the envy of some other countries who had been unsuccessfully trying to achieve a similar objective. Utilisation of the capacities has increased many fold and recent studies have indicated that even the much maligned public sector undertakings have miraculously within a span of an year, reached record levels of output and have in some cases crossed the capacities installed. Amongst major decisions taken may be listed the emphasis on revival of sick units subject to their inherent capacity to add to overall product on levels within the country, unqualified support to bonafide export oriented production in the hope of trying to stabilise balances of trade and payment in the shortest possible time, the elimination or liberalisation of many licencing requirements both for the establishment of new units or for expansion or enhanced utilisation of existing ones, reduction in the ceiling of interest rate for bank credit, emphasis on recoveries of the defaults committed without due justification, and the establishment of the Industrial Development Bank of India as the apex financial institution with new goals and redirected targets.

2. The year 1975–76 is expected to yield an unprecedented growth in real national income of 7 per cent including an almost 9 per cent growth in the agricultural sector (the latter comprising as much as 11 per cent in foodgrains). The growth rate achieved is well above the plan target of 5.5 per cent. According to figures just released the year 1975-76 showed an industrial growth of 5.7% well above the anticipated 4.5%. Metals registered the most significant increase in this period. Part year comparisons for 1975–76 against corresponding period of 1974-75 appeared to indicate as much as a 102 per cent increase in Copper, 20 per cent in Aluminium and more than 15 per cent in Steel. Like-wise chemical based industries, coal, automobile tyres, sugar, vanaspati, soap and many other industries also registered significant increases. Despite concerted efforts, however, indications for real per capita income indicated only a growth of the order of 5 per cent in view of the more than 2 per cent population growth rate estimated. While Government have recently taken a number of decisions with the intention of restricting growth in population, it is unlikely that the figure would diminish very rapidly and consequently efforts must continue to be made to achieve more significant break through in industrial and agricultural production. While generally speaking there has undoubtedly been a very salutary impact on the state of the economy, there have also been certain side effects. Amongst the salutary effects may be cited for instance the easy availability of steel following largely from increased production by the public sector undertakings which, apart from the slowing down of construction activity as well as of new industrial investments led to a drop in its price. Amongst the side effects may be listed, on the other hand, the fact that most of the small steel plants were knocked out of the market. This is a phenomenon by no means restricted to steel and the fact undoubtedly is that the increased production in such industries where investments had been made without the anticipation of full utilisation of capacities made them suddenly become excessively competitive and even unremunerative, a situation which was aggravated by the inevitable slowing down of investments precisely for the same reasons, and a generally recessionary outlook in the earlier part of the year. But as I have said, I do not expect the temporary re-adjustment problems being faced by the economy to be of a long lasting or quasi-permanent nature and I am confident that these will sort themselves out in the near future. The greater degree of productivity brought about in an economy previously verging on a state of total arbitrariness is in my view a highly welcome change.

3. While the encouragement being offered to production in the current policies of Government will undoubtedly encourage the economy, the fact that a stage has now come when further investments require to be made on the basis of a careful analysis and projection of capacities available and utilised, and prevalent demand as anticipated, cannot be too highly emphasised. Ill-judged investment decisions, or investment decisions based on deliberate under-utilisation of capacity, are a national waste which cannot be permitted and instead all available resources must be diverted towards investment in nationally desirable and under-invested areas of industry only. The lead taken by the Government of India in re-defining such areas and, inter-alia, in setting apart items for the small scale sector must be very enthusiastically welcomed. It is sincerely hoped that Government would continue to revise their guidelines as frequently as possible and that entrepreneurs would abide by such policy guidelines. Should they not do so, concerned financial institutions must refrain from providing any assistance to such units.

4. While on the subject it may be worth stating that similar studies should be carried out and their results enforced in respect of small scale units as well. In the absence of available resources for undertaking detailed market, demand, and feasibility studies, the small scale investor is often guided in his investment decision by the performance of similar units in his neighbourhood. In doing so, he frequently loses sight of the fact that while a certain number of such units in a given area may be viable, further investments made by him, and possibly others, in the same area for the same product may make both the existing as well as the new units uneconomical for want of market, raw material, labour or other considerations. The inevitable consequence is that both the existing and new entrepreneurs as well as the supporting financial institutions end up by making inherently bad investments which not only fail to provide any return to any of the parties concerned but jeopardise investments previously made. We are already considering, from the current financial year increasing our emphasis on this aspect and of restricting investments of this nature. In our endeavours we devoutly seek the assistance not only of the entrepreneurs concerned but also of the various State level and Central level Government agencies.

5. One of the related problems which still remains to be attended to is the serious scarcity of essential and up-to-date data on which

the entrepreneur and financial institution alike can base their investment decisions. The establishment of a really streamlined and effective organisation to collect, compile analyse and make available to all those concerned essential input and output data on the basis of rapidly collected and accurate statistics which are as upto-date as possible is long overdue. A national organisation from which an entrepreneur may be able to obtain within a matter of a few days up to-date information about availability of raw materials, prices, markets, costs, production levels and so on, alongwith projections for the future, would make the task of all concerned very much easier.

6. To achieve production and investment levels of the required order, industrial investment shall have to be made very rapidly in such sectors of industry as require these investments. The extreme shyness which had become evident in the capital market and the reticence of entrepreneurs to make fresh investments in a somewhat unpredictable economic climate must be overcome, therefore, very urgently indeed. Advantage must also be taken of the revival of other economies quickly to develop to the extent feasible Indian exports to both established and developing world markets. The relatively low labour cost—a fact only on the assumption of equivalent labour output—can be utilised in the new climate of disciplined labour forces to the dual benefit of the country's employment needs and of its balance of trade.

7. In this scheme of things it would become imperative for all governments, government agencies, and financial institutions to take the lead in promoting productive investments with the minimum of delays and hesitations.

8. We, in the Haryana Financial Corporation have striven during the last year to keep in step with the need of the time and to play, according to our charter an effective promotional role in achieving national and state aspirations and goals. We have also been conscious of the fact that a financial institution such as ours has a very vital role to play in widening the industrial base of the country, in providing employment, and in increasing outputs, and above all we have been acutely conscious of the fact that if progress has been slow we and other institutions must squarely accept our responsibility for the general tardiness.

9. While the inflow of applications diminished significantly from a total number of 308 applications received for industrial loans in 1974–75 to a mere 194 such applications in the last year, and similarly, on account of the improved power situation, from 217 applications in the preceding year to merely 29 applications in 1975–76, the Corporation has not been idle in their disposal. Consequently, industrial loans were sanctioned to 194 concerns in the outgoing year showing an improvement of 33 on the previous year's figures of 161. In terms of business generated, we have succeeded in maintaining a growth rate in sanctions, even if nowhere near the galloping pace achieved in the earlier years. As a result we were only a little less than Rs. 6 lacs short of the Rs. 10 crore mark as on 31st March last with a cumulative effective sanction level of Rs. 42 crores approximately. Our disbursements, however, continued to grow rapidly and during the outgoing year we disbursed over Rs. 6 crores bringing total disbursement to over Rs. 29 crores as on the 31st March last. Along with the growth in our operations there has been a rapid growth in our earning and our gross income during 1975–76 crossed the Rs 2 crores mark leaving profits before taxation at over Rs. 81 lacs.

10. Our performance in sanctions and disbursements has been particularly notable, apart from other reasons, because of the fact that lending operations for the acquisition of generting sets declined substantially as a result of the improved power situation, and our operations in favour of transport operators remained suspended during the year. One of the less prominent, but in many ways much more significant, achievements was the reduction of the number of cases pending sanction and the time taken in sanctioning and disbursing financial assistance. Thus, as against 292 applications for assistance of all kinds pending at the beginning of the year, the number had reduced to merely 83 at the close of the year. We have also been successful in expediting decisions on loan applications received and, increasingly, it has been possible to sanction financial assistance where merited in a period of 2 to 3 months. Similarly, I believe that with an increasingly more realistic approach towards the problems of entrepreneurs, it has been possible to cut down the time taken between sanctions and disbursement. In order to aid beneficiaries and the Corporation alike in prompt decision making, the Corporation has brought out revised guidelines of a fairly comprehensive nature which are being made available to entrepreneurs seeking to apply for assistance from it. Apart from providing basic information on the schemes being offered by the Corporation, its procedural requirements and formalities, the guidelines also set down lucidly the essential data requirement without which it becomes difficult to process applications expeditiously.

11. Another interesting highlight of the Corporation's performance in the past year has been its operations concerning the development of backward areas. The Corporation has continued to increase its stake in financing industrial units in backward areas and was able to sanctions Rs. 2.72 crores to such industrial units as against Rs. 2.59 crores in the previous year. As has been mentioned in the Director's Report, while the number of units benefiting was less than in the preceding year, the amount sanctioned was somewhat higher and the indications seem to be that larger units are being increasingly set up in these areas.

12. Similarly support to small scale industries has grown significantly with a considerable increase in the amount sanctioned and, in this case, there is an increase also in the number of industries financed. We continued to extend during the year 1975–76 highly attractive concessions to units being set up in such areas with the result that a small scale unit availing of assistance of up to Rs. 2 lacs from the Corporation if situated in an identified backward area and if refinanced by the Industrial Development Bank of India, which made prompt repayments, needed to pay an interest rate of only 9.5 per cent on financial assistance of up to 80 per cent of its fixed assets.

13. Another attractive scheme which continued to be sponsored was the IDA Line of Credit. Under this scheme loans could be sanctioned by the Corporation for the import of capital equipment against a credit first made available by the International Development Agency in 1973. The Haryana Financial Corporation too played its part in securing the full commitment of the credit on a national basis within the stipulated time, and has thus enabled the country to negotiate for a second line of credit which will become operative from the current year. It would be a cause of satisfaction to all of you that the performence of the Corporation in this programme has been commendable.

14. One of the less satisfactory aspects of the Corporation's performance unfortunately has been in effecting recoveries. It is a matter of regret that a combination of factors, the most noteworthy amongst which was the persistent power crisis within the State, coupled with the operational difficulties of the loanees, handicapped the Corporation and its clients from achieving more satisfactory results. Within the constraints imposed by the overall economic climate, the Corporation has endeavoured to recover its dues to the extent possible and, in fact, in gross amounts we have succeeded in recovering, even if occasionally under duress, a higher amount than in the previous year. Total recoveries during 1975-76 was of the order of Rs. 2.58 crores against Rs. 2.01 crores in the previous year. Despite this, the gross amount in default increased from Rs. 1.22 crores to Rs. 2.34 crores. With the improvement expected in the general economic climate I hope it will be possible for us to gain ground in this aspect of our operations.

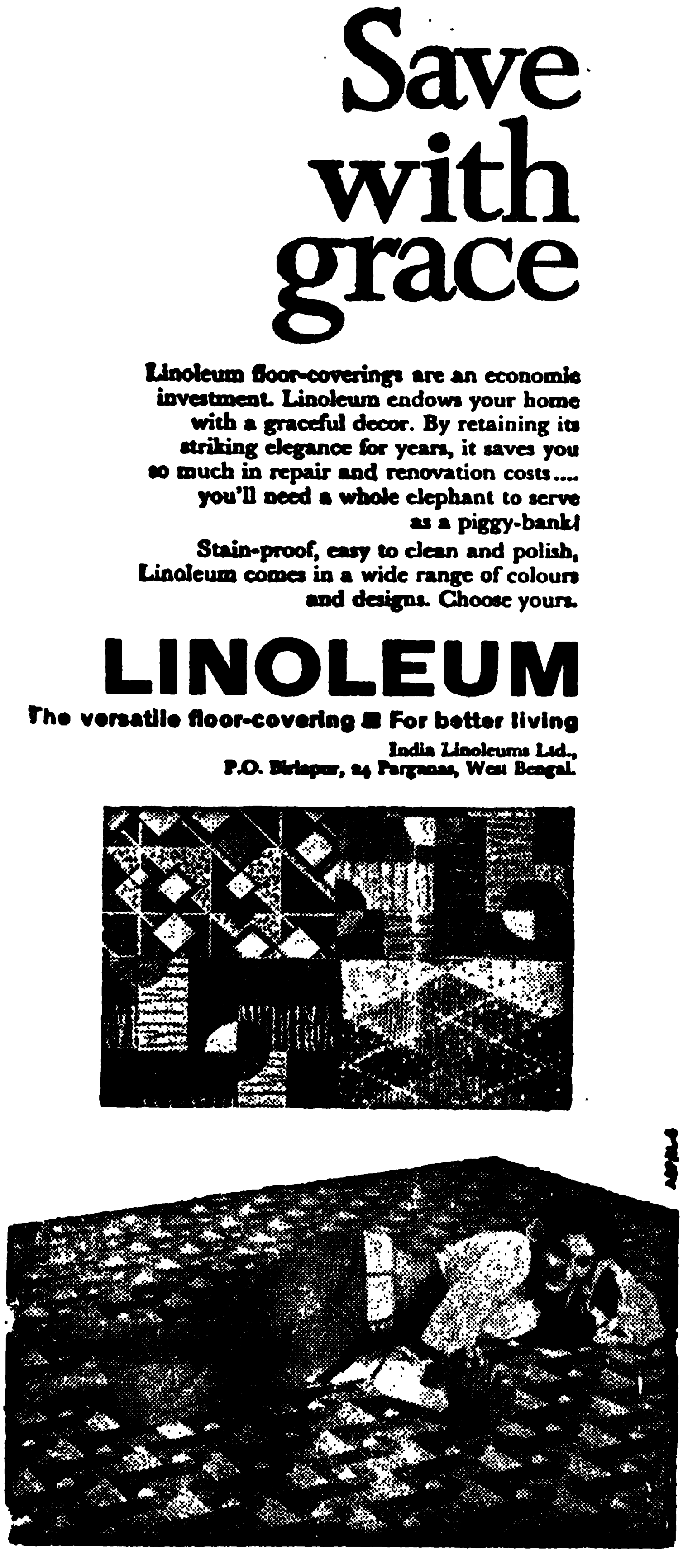
15. Finally it would be relevant for me to add that the Corporation has been endeavouring to bring about structural and organisational changes in order to better equip itself for the tasks which lie ahead. The outgoing year saw the initiation of an internal training programme aimed at better preparing its personnel for discharging the duties expected of them promptly and efficiently. In addition, some changes have already been made in the organisation and deployment of personnel and further extensive streamlining is on the anvil. It is contemplated during the current year to enlarge the services rendered by the Corporation so as to provide some essential merchant banking functions and possibly to extend this further in the direction of providing nucleus consultancy services, primarily for the benefit of the small scale entrepreneurs in projects which do not call for sophisticated technology, engineering or production methods. The basic objective is to provide under one roof a package of services, with speed and precision, and to remove thereby from the shoulder of the entrepreneur the burden of running from pillar to post in attempts to secure the multifarious services and clearances essential for the establishment of a project. How far we may be able to transform this ambition into reality is a matter on which, I hope to be able to report only next year.

16. In conclusion, therefore, I trust that we may all look back upon the past year with some gratification born of the fact

that, whatever our shortcomings have been, and I, for one, would not dispute that there still remained many, we have indeed achieved a fair measure of success, and above all, the satisfaction that our endeavours have been in the right direction. In thus directing our efforts, my particular thanks must go to my colleagues on the Board of Directors of the Corporation in whom, despite the relatively short period in which we have worked together, I have come to acquire close confidence and trust, and from whom I have unfailingly received the utmost co-operation. We must also, I feel, acknowledge with gratitude the assistance and co-operation always made available by the Industrial Development Bank of India, the establishment of which as the apex body for institutions such as ours under the new set up must heartily be welcomed, the Reserve Bank of India, the Industrial Finance Corporation of India, the Life Insurance Corporation of India and the various scheduled banks, Government agencies, and all others in concert with whom we act, and I trust that in the future too we shall continue to receive their unstinted encouragement. While mentioning acknowledgements, it would be unpardonably remiss not to mention the outstanding contribution of my predecessor Shri S.K. Misra in building up this institution, and in inspiring it to provide the services for which it was established with dedication and zeal, over the years.

17. Of course, no institution may function, or may achieve any success, without the involvement of its staff and officers. Whatever may be the calibre of the Board of Directors, and whatever may their aspirations be, it is ultimately the personnel of the organisation who convert ideals into actions, targets into achievements. I must therefore, acknowledge the loyalty and industry of the staff and officers of the Corporation, headed by its Managing Director, Shri T K Banerji, who have striven without reserve to make the Corporation one of the leading institutions of its kind.

18. I am thankful to you gentlemen for the goodwill that you have always extended to your Corporation and for the trouble taken by you to be present here today. The balance sheet and the profit and loss account of the Corporation, alongwith the Directors' Report is now open for your consideration.



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RECORDS AND STATISTICS

Export and production perspective: 1980-81

THE FEDERATION of Indian Chambers of Commerce and Industry (FICCI) has prepared a blueprint for exports with targets indicated for 1980-81. The FICCI is of the view that exports of this country should be increased but not beyond 25 per cent of domestic production. Undoubtedly, there are such industries as tea, coffee and jute manufactures which export about half of the total domestic production but if overall exports are limited to 25 per cent of industrial production, the economy will be in a better position to absorb external fluctuations.

Given below is the chapter entitled "Production and Investment for Exports" from this study along with some statistical data which have a bearing on the recommendations made by the FICCI:

Expor effort can be sustained only if it is adequately supported by requisite domestic production. This aspect has not received necessary attention and as such either exports have not grown to their full potential or have been at the cost of domestic consumption.

It can be appreciated that in respect of luxury goods, for example, diversion of production to export markets, even by reducing domestic consumption would not be undesirable. But such diversion becomes difficult when domestic demand is strong and consequently fiscal and administrative measures have to be pressed into operation. For this reason, an expanded export effort has to be backed by appropriate increases in domestic output.

Agricultural Exports

It has been observed that, on the whole, about six per cent of agricultural output and nearly egiht per cent of industrial production is exported. The percentages, however, vary from product to product. Tea, coffee, jute, etc. are primarily export industries. Nearly a half of the production of these industries finds markets abroad. On the other hand, only about seven per cent of the production of engineering goods, two per cent of handloom cotton textiles, or 0.5 per cent of coal is exported.

For the main export commodities the ratio of exports to production is shown in Table I.

In a large number of industries the proportion of exports to production is small. Where it is high, as for example, 63.7 per cent in the case of iron ore, it reflects our lack of capacity to expand domestic production of manufactured product. Also there are industries suchas tea and jute which have a large export base.

High Surpluses

In recent months a number of industries have been overtaken by recession and capacity utilisation is not high enough, even for domestic market. Consequently, export surpluses have been considerable. Whether these have been actually used to promote exports is, however, a different matter. But obviously the situation cannot be expected to continue for long. Once the economy gets into swing, surpluses will disappear; therefore, unless production is expanded, export will become difficult.

There are two main considerations involved in planning future production, keeping the export needs in view:

— Export surplus should not be at the cost of domestic consumption or use.

— The percentage of production exported should not be very high, since export market fluctuates and as such creates disturbances in domestic industrial conditions.

Export has to be a built-in factor in production planning. Production should be enough to meet

TABLE I

Exports and Production in 1974-75

	Per cent of exports to production (1974-75)
Tea	45.6
Coffee	57.3
Tobacco (Unmanufactured)	17.0
Jute Manufactures	47.3
Sugar	14.9
Marine Products	2.0
Non-essential Oils	25.0
Coal & Coke	0.5
Iron Ore	63.7
Cement	2.0
Art Silk Fabrics	9.0
Cotton Textiles (Mill-made)	10.0
Cotton Textiles (Handloom & Power-loom)	2.0
Chemicals and Allied Products	20.6
Engineering Goods	6.9
Rubber Manufactures	5.3
Leather and Leather Products	4.2
Cashew Kernels	19.0
Spices	5.4
Rice	0.1
Coir and Coir Products	13.5

Notes: (i) Domestic supply of cashew kernels includes production and imports.

(ii) Spices cover only major spices.

domestic demand as well as export, the latter being determined on the basis of external market potentialities. In the short term a spill-over from one market to the other is inevitable. But even then production conditions must be flexible enough to correct such maladjustments quickly.

Seperate Identities

The separate market identities — domestic and foreign — do not imply dichotomy of production. For this reason, the production system itself must be commercially efficient. Cost and quality have to be competitive, judged by international standards. Export which needs to be subsidised because the production system is uneconomic does not have a good future. It creates distortion and inflicts a wholly unnecessary burden on society.

It also needs to be recognised that export market is not steady. Innovations, changes in tastes and fashions, political disturbances, international economic developments, currency variations, freight rates changes, crop failures, strikes etc, expose the export market to great fluctuations. Therefore any industry which depends overwhelmingly on exports is likely to be susceptible to occasional shocks. These can cause great harm to the economy, particularly if the export industry is a major one.

As a general guideline, export should not exceed 25 per cent of domestic production. Of course this guideline cannot be rigidly applied in all cases. As mentioned earlier, industries such as tea, coffee, jute etc. already export about a half of the total domestic output. But, by and large, if exports are limited to 25 per cent of industrial production, the economy will be in a better position to absorb external fluctuations.

The limitation of exports to 25 per cent of production can be brought about by:

— Greater diversification of exports.

— Larger production for domestic market if it can be sustained by adequate demand.

Diversification of exports will be achieved, in considerable measure, in the next five years. The accent on traditional exports like tea, jute, textiles, etc, in 1980-81 will be relatively less, compared to engineering goods and chemicals. But the process of diversification will take a much longer time to be completed.

Planning for Future

In planning production in the next five years, it is, therefore, necessary to produce comparatively more for the domestic market in areas in which exports are likely to expand relatively faster, subject to the nature of the commodity and availability or demand.

The export possibilities wiil demand that necessary production is undertaken so as to generate required export surpluses by 1980-81. Considering the gestation period of some of the complex industries, action will have to be initiated within a very short time.

Keeping in view the broad approaches mentioned earlier, and the additional domestic consumption consistent with the increase in income, the extra production that will have to be planned in respect of the major export items would be as given in Table II.

The increase in the exports of agricultural and agro-based products as also their production would be at a smaller rate than that of manufactures. But considering the additional export effort, the proportion of output exported will rise in respect of both these sectors. For example:

— the proportion of agricultural and agro-based exports to their production would step up from 6.31 per cent in 1974-75 to 8.17 per cent in 1980-81.

— the ratio of exports of manufacture to production

TABLE II

Increase in Production and Exports in 1980-81 over 1974-75

	Unit	Increase in exports (1980-81 over 1974-75)	Increase in production (1980-81 over 1974-75)
Tea	Th Tonnes	47	101
Coffee	,,	9	17
Tobacco (Unmanufactured)	,,	42	78
Jute Manufactures	,,	35	161
Sugar	M Tonnes	1	2
Marine Products	Lakh Tonnes	1	5
Non-essential Oils	M Tonnes	0.02	0.04
Coal and Coke	M Tonnes	1	76
Iron Ore	,,	23	31
Cement	,,	2	15
Art Silk Fabrics	M Metres	66	263
Cotton Textiles (Mill-made)	,,	57	657
Cotton Textiles (Handloom and Powerloom)	,,	82	701
Chemicals and Allied Products	Rs Cr	155	431
Engineering Goods	,,	752	4424
Rubber Manufactures	,,	37	182
Leather & Leather Products	,,	163	559
Cashew Kernels	Th Tonnes	20	20
Spices	M Kg	12	87
Rice	Th Tonnes	39	6070
Coir and Coir Products	,,	3	16

Notes: Figures are rounded to the nearest integer.

would go up from 8 per cent in 1974-75 to 11.2 per cent in 198-81.

Agricultural production traditionally shown low growth rates. It is not easily amendable to effort and as such increases in production cannot be planned on a large scale. This is true of a variety of products such as sugar, tea, oilcakes, cashew kernels, spices etc. But the increases in exports also are not likely to be such as to involve substantial diversion from domestic consumption.

Industrial production, on the other hand, is wholly responsive to investment. Since in industries such as engineering, chemicals etc, possibilities for large exports exist, expansion of output has to be undertaken as expeditiously as possible. For example, in engineering industry, output will have to be stepped up from about Rs 5000 crores to over Rs 9518 crores, in chemicals from Rs 280 crores to nearly Rs 820 crores, and so on. Unless these increases in output are planned sufficiently in advance, we shall not be able to undertake the possible exports in 1980-81.

High Potential

There are certain products like fruits, fish and meat which not only call for an increase in production but also accompanying services like refrigeration, scientific handling etc. These items have great potentiality and need to be given urgent attention.

It would be relevant to indicate, though broadly, the magnitude of investment that will have to be undertaken to generate production for export. This exercise can be done at two levels viz, aggregate and sectoral. The first would imply anticipating plan content itself which is beyond the scope of the study. What can be more usefully accomplished is the measure how much additional investment will have to be made to generate adequate surplus for exports of the magnitude outlined.

Overall Strategy

Even such an estimate will have to be somewhat limited in scope because there are a number of products, mainly agricultural, the output of which will depend on the overall development strategy rather than investment in the production of that specific commodity. Since such investment is not directly related to exports, it has been excluded from our estimate: so also investment in services like refrigeration, shipping etc.

On this basis, the investment that will be called for in various types of industries in public and private sectors, for producing the additional output for export would be Rs 1817 crores. The composition of this investment is given in Table III.

This investment is in addition to that required to generate production for domestic use. What is more, it will have to be undertaken as early as possible, preferably in the next three years, so that the requisite goods are available in 1980-81 without reducing domestic availabilities. In other words, investment will have to be stepped up by Rs 600 crores per year, over and above, what is required to sustain growth for domestic needs.

Level of Investment

The level of investment for additional exports will need to be matched by additional savings. Unless the country is in a position to make this extra savings effort it will not be possible to support an export programme of the magnitude envisaged.

Export growth is not a new feature. As mentioned earlier, in the past 5 years, a substantial increase in exports has taken place. The additional export production and the corresponding investment will have entailed additional savings. It is found that, on an average, an export of Re 1 will require an investment of Re 0.75 to generate the necessary production. On the basis of export growth in 1970-75 it can be estimated that Rs 160 crores of additional savings per year or 0.38 per cent of the GNP has been used for export purposes.

In the next 5 years, GNP can be expected to grow at an average annual rate of 5.5 per cent. If the export of the order envisaged is maintained, an additional Rs 600 crores will have to be earmarked to sustian production for exports.

TABLE III

India's Share in World Imports of India's Major Export Products in 1972

Commodity	% share
Tea	28.35
Leather & Leather Manufactures	12.81
Cotton Textiles	5.32
Tobacco Unmufactured	4.23
Iron Ore	4.30
Floor Coverings	2.50
Gems & Jewellery	1.93
Sugar & Honey	1.84
9. Fish & Fish Preparations	1.61
Railway Vehicles	1.41
Bicylces	1.46
Steel Structurals	1.34
Fruits & Vegetables	1.35
Coffee	0.96
Clothing	0.67
Wire products	0.73
Tools	0.61
Electrics, Wires, Cables, Transformers	0.76
Iron & Steel Tubes & Pipes	0.63

Source: U.N. Yearbook of International Trade Statistics, 1974.

TABLE IV

Extra Investment Required for the Increment in Exports in 1980-81

(Rs crores)

Engineering Goods	671
Chemicals	190
Iron Ore	460
Silk & Art Silk	26
Cement	170
Others	300
Total	1817

This would mean that in the next 5 years about 0.81 per cent of GNP will have to be saved to finance investment in export production industries. It appears that this increase in savings formation is not such as to beyond the nation's capacity. One would be certain that this goal would be achieved if fiscal policies are more actively geared to promote larger savings.

Export-linked Imports

Export production involves not only creation of additional production capacity but also availability of necessary inputs. For lack of data and time, this secondary element in production planning has not been considered. But it is quite likely that full availability of domestic inputs of the right specifications and in right quantities will not be possible. Fort his reason, import of some of the inputs will become necessary. In estimating import needs this aspect was kept in view. Such export-linked imports have to be liberally allowed to keep the production system going and support export promotion.

There is a time lag not only between investment and production but also between production and exports. This lag can be quite significant particularly in respect of new export commodities and new export markets. In the case of engineering goods, for example, which will have to be exported increasingly to developing countries the time lag will be quite pronounced. Hence export promotion measures will have to be undertaken right now to ensure that production which will come by 1980-81 will find ready markets abroad.

Thus the future export potentialities have to be carefully built up through investment and production effort in appropriate areas. at the same time, since production has to be efficient, measures will have to be initiated to put our production system on the same competitive basis as in other countries.

TABLE V

India's Exports as Percentage of Gross National Poduct 1966-67 to 1974-75

(Value in Rs crores)

Year	GNP	Exports	% of exports to GNP
1966-67	25198	1152.88	4.6
1967-68	29714	1192.82	4.0
1968-69	30560	1354.18	4.4
1969-70	33883	1408.70	4.2
1970-71	36730	1524.38	4.2
1971-72	38899	1603.15	4.1
1972-73	42136	1964.39	4.7
1973-74	52193	2518.34	4.8
1974-75*	63375	3298.62	5.2
1975-76**	65000	3863.00	6.0

Note: *Quick Estimates (CSO) **Estimated

TABLE VI

India in World Exports

Year	World Exports		India's Exports		India's share in world exports (in %)
	$ Million	%annual change	$ Million	$ %annual change	
1960	112,300	-	1,331	—	1.19
1961	117,400	4.54	1,387	4.21	1.18
1962	123,600	5.28	1,403	1.15	1.14
1963	136,000	10.03	1,626	15.89	1.20
1964	152,600	12.12	1,705	4.86	1.12
1965	165,400	8.39	1,687	1.06	1.02
1966	181,200	9.55	1,577	6.52	0.87
1967	191,100	5.46	1,612	2.22	0.84
1968	213,400	11.67	1,760	9.81	0.82
1969	245,800	14.71	1,835	4.26	0.75
1970	280,700	14.67	2,026	10.41	0.72
1971	316,600	12.79	2,034	0.39	0.64
1972	376.600	18.95	2,452	20.55	0.65
1973	524,600	39.30	2,917	18.96	0.56
1974	777,700	48.25	3,925	34.56	0.50
1975*	793,254	2.00	4,180	6.50	0.53

Note: *Estimated exports on the basis of two quarters of 1975.

Source: Date up to 1974 from International Financial Statistics, IMF (various issues)

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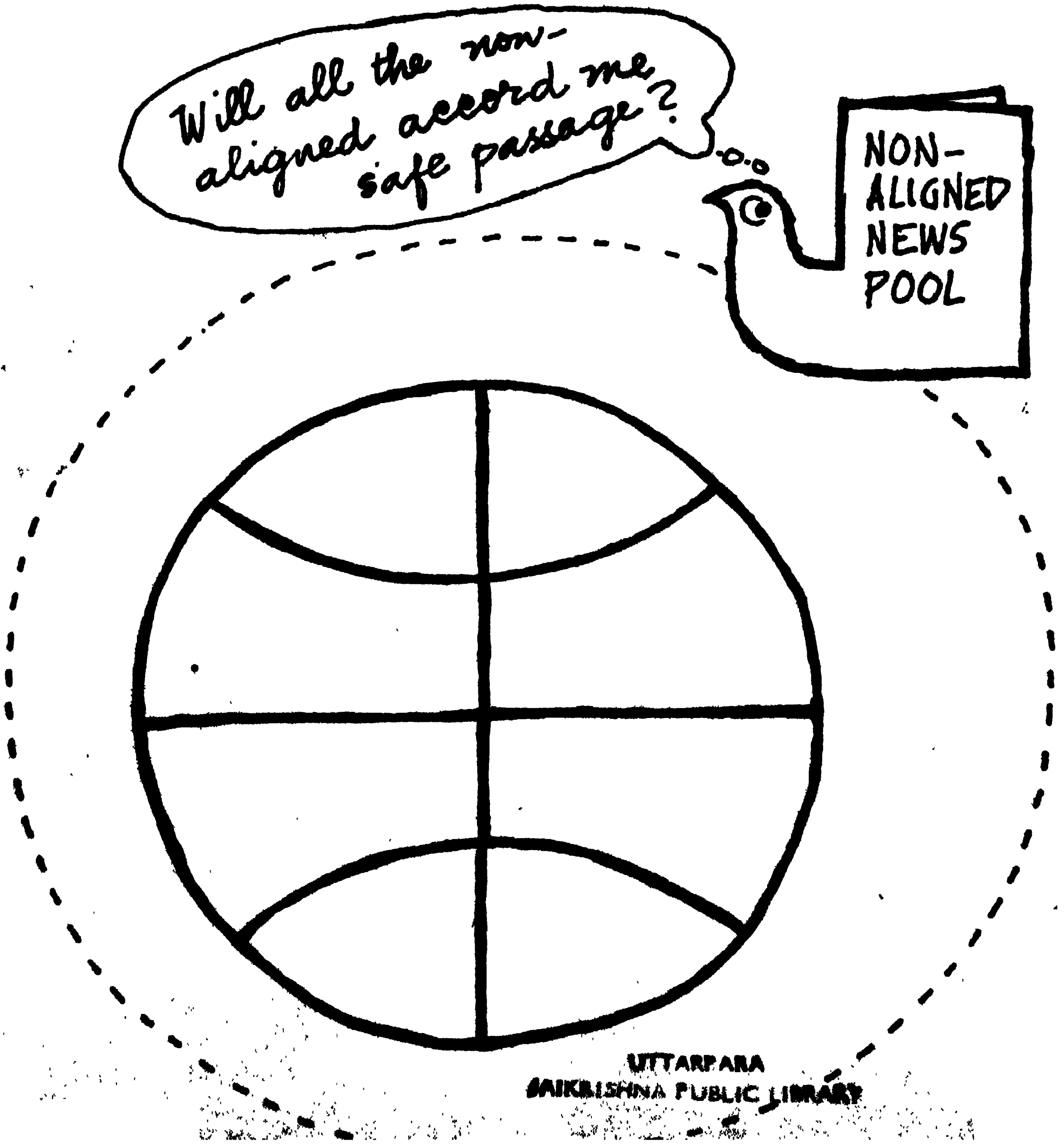
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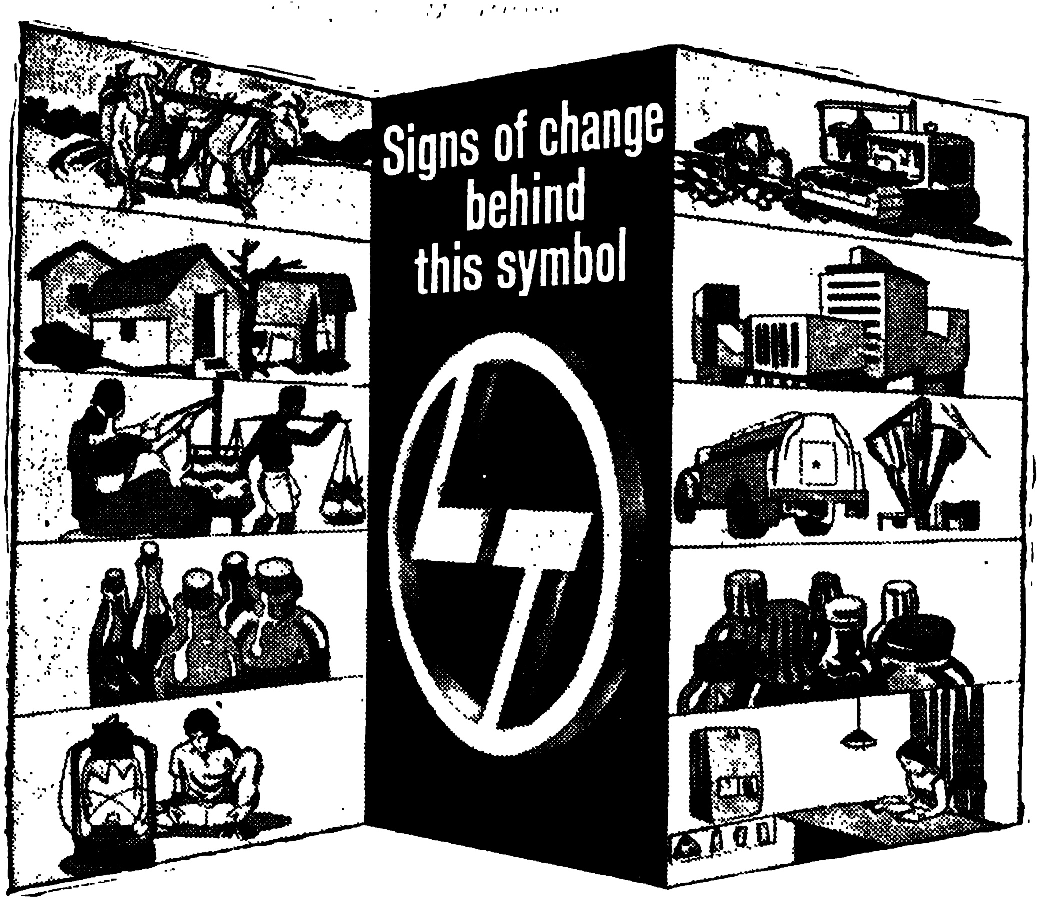
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Non-aligned news pool

THE SIX-DAY conference of 60 third world countries held in the capital for promoting the establishment of a non-aligned news pool commenced as a *tamasha* with its usual quota of angry speeches and walk-outs but ended on a very happy note, thanks to the perseverance of Mr V.C. Shukla, union minister for Information and Broadcasting, who was the leader of the Indian delegation and the untiring efforts of Mr Mohammed Yunus, alternate leader of the Indian delegation at the conference. The constitution of the pool of news agencies of non-aligned countries adopted by the conference laid the foundations for the dissemination of correct and factual information about the happenings in the third world. This constitution will now be endorsed next month at the Colombo summit of the non-aligned countries. The coordination committee consisting of 14 member-countries elected India as the first chairman. In the very first meeting of this committee presided over by Mr Yunus, efforts were made to determine ways and means of keeping the members in touch with one another and to evolve a framework for operation.

The tone of the conference was set by the prime minister, Mrs Indira Gandhi, who equated self-reliance in sources of information with technological self-reliance. Explaining the meaning of "non-alignment", she said that it was not a negative concept since it was based on "trust, hope and willingness to cooperate", all of which were positive values. It would have been an admirable performance by the participants in the conference if they had taken a cue from Mrs Gandhi's speech and had dilated upon only the positive aspects of "decolonising" of sources of information instead of spending much valuable time in running down the western news agencies. Surely, these agencies set up by the former colonial powers had been unfair to the third world countries in publicising the less favourable aspects only. They hardly saw anything good happening in these countries and were always keen to project an image of poverty, destitution and filth. But the foundations of the new news pool should be based on positive aspects of cooperation among the non-aligned countries, not on their common hatred of someone. Every speaker at this conference made it a point to disparage the western information media as if this was the central objective of this conference. Why not stress the need for the non-aligned countries coming forward together to have a news pool because intrinsically it was a highly desirable objective? As Mrs Gandhi said, we in this country were familiar with minor authors and columnists of Europe and the USA while we knew precious little about the leading poets, novelists, historians and editors of countries in Asia, Africa and Latin America. So it was apparent that the coming together of non-aligned countries in New Delhi was sufficiently important for this reason alone.

The constitution of the news pool is designed to promote exchange of information between non-aligned countries both on bilateral and multilateral bases. Surely a good job has been done in so far as its drafting goes but it would be hard to predict as to how far it would survive under the buffets of the changing political scene in the world.

Let us not forget that many of the non-aligned countries are under varying shades of autocratic rule with limited freedom of expression. There are others like our country where the profession of journalism, despite recent chastening, is remarkably free. This diversity in itself can prove to be a stumbling block. Those who will be called upon to nurture this baby—born on the 13th (lucky for some!) of this month — will need all the ingenuity of a doting nurse to help it grow into manhood.

Rising costs and prices

THE DECISION of the government of India to raise the retention prices for cement, for offsetting increases in manufacturing cost, the recommendation of the Bureau of Industrial Costs and Prices for an increase in prices for levy sugar by an average of Rs 10 per quintal and the fresh demand for an increase in coal prices, which may not be looked into before March next year, clearly indicate that the rigidities in the cost structure and imported inflation are inhibiting a continuing downward trend in wholesale prices for all commodities. The producers of wheat, rice, cotton, sugarcane and raw jute have indeed been asking for increased floor and procurement prices. The demands of growers of cereals have been conceded indirectly by the administration of a bonus scheme while fair prices for jute are proposed to be assured with massive buffer stock operations by the Jute Corporation of India.

happy farmers

The cotton growers in Maharashtra are feeling happy because of the success attending the monopoly procurement scheme of the state government. The cane growers have been asking for higher minimum prices and actual higher payments which the sugar mills are finding difficult to concede because of erosion of profit margins and meagre adjustments in prices for levy sugar. The small rise in the index of wholesale prices for all commodities in the past three months also suggests that there cannot be a further significant decline in prices in the absence of substantial improvement in productivity and achievement of economies arising out of a big increase in production.

It should be said, however, that a commendable effort has been made to bring about a stabilisation of prices and eliminate wasteful use of raw materials and increases in costs due to loss of man-hours. The index of wholesale prices for all commodities is still six per cent below the level of July last year and the country has had the benefit of two years of negative inflation. While the anti-inflationary measures and checks on the operations of smugglers and black marketeers have played an important role in containing inflation, the most important factors in arresting a further rise in prices are the sharp increase in agricultural production and the improvement in the power situation leading to higher industrial output.

helpful factor

The regulation of growth in money supply has also been a helpful factor though it is arguable in the Indian context whether there can be such a direct relationship between changes in money supply and demands for goods and services. Actually, in the light of developments in the past two years it can even be said that the elimination of scarcities in essential commodities and the suppression of operations of black marketeers have been responsible to a greater extent than the smaller rise in money supply for achieving negative inflation. It was even contended in some quarters earlier this year that a downward trend in prices had been taking place even with a sharp increase in money supply. The recent signs of upward trend in prices cannot be taken to mean that inflationary pressures are asserting themselves forcefully though it has become clear that shortfalls in agricultural production as in the case of raw cotton, or fears of a decline in the output of cash crops with inadequate rainfall can have upsetting effects on earlier calculations.

The position now, however, is vastly different from the situation noticed early in 1974 and the government can control any rise in prices by increasing imports of raw materials in short supply or effecting massive sales out of buffer stocks of foodgrains. The bulging foreign balances can be used for liberalising imports wherever necessary, especially as the government has been obliged to suspend imports of foodgrain because of unprecedented procurement purchases and a big rise in buffer stock.

rebates in excise

The union Finance ministry has also been making efforts to prevent an undue increase in end-prices for manufactured goods by granting rebates in excise duties in respect of excess production on a differential basis for old units, units commissioned between 1973 and 1976 and units commissioned after March 1976. A policy of differential prices is also being pursued in respect of cement and sugar, while producers of fertilisers have been representing to the government that the new entrants should be allowed higher prices and special concessions in order to offset increases in operating costs due to heavier depreciation and interest charges. The re-introduction of development rebate in the form of investment allowance and special facilities for new sugar factories are also aimed at cushioning the impact of higher capital costs on manufacturing operations.

These policies have certainly been helpful in utilising to a great extent the impact of higher capital cost and heavy interest charges. It will be necessary, however, to adopt a more realistic attitude and concede an increase in prices for meeting unavoidable escalations in costs and bringing into operation natural forces which will bring about self-sustained growth. This is not to say that there should not be any attempt to compel an improvement in productivity or the achievement of economies in operations. But it has also been proved that even with fuller working and efforts to achieve higher productivity, profit margins have not been reasonably attractive and spinning mills and sugar mills have been suffering losses because of 'high' raw material prices, heavy excise duties, controls over prices and production and higher interest charges

a test case

The sugar industry probably provides a test case for the government. The price for levy sugar at the retail end has been pegged at Rs 2.15 per kg throughout the country since the end of 1972 even in the face of rising costs. The Tariff Commission's formula for adjustment in prices of levy sugar has not been faithfully followed and the Bhargava Commission's formula for according higher prices for cane growers has also had a complicating effect. In the earlier stages payment of statutory minimum prices for cane was first made and additional prices were granted later to growers in the light of profits realised on the disposal of free sale sugar. Subsequently, the introduction of the Bhargava Commission formula calling for equal sharing of profits realised on free sale sugar brought out forcefully the anomalies arising out of unrealistic fixation of levy sugar prices. The larger share of profits accruing to cane growers as a result of depressed levy sugar prices had a debilitating effect on sugar mills.

The government also was anxious to avoid an undue rise in levy sugar prices as it would necessitate an increase in the pooled retail price for sugar. In this process the new approach adopted in July last year imposed serious disabilities on the efficient sugar producing areas of Maharashtra, Andhra Pradesh, Karnataka and Tamil Nadu and the government is in a quandary about what should be done to prevent an increase in the retail price of sugar and at the same time provide the necessary incentives for sugar mills for maximising production.

The Bureau of Industrial Costs and Prices is reported to have recognised the force of the sugar industriy's argument for conceding a liberal increase in price for levy sugar and even a larger quota of free sale sugar. But any significant increase in the average of levy sugar price will have to be reflected in a higher retail price apart from an increase in the resale quota, which can be contemplated only if it is sure that the output in the next season will be five million tonnes. The actual production in 1975-76 season may not be more than 4.25 million tonnes and with exports likely to be of the order of 1.3 million tonnes and internal consumption around 3.6 million tonnes, the carry-over at the end of the season will be only 571,000 tonnes. But for the carry-over of 1.22 million tonnes from the 1974-75 season the export efforts of recent months would not have been possible.

The carry-over into the next season cannot, however, be utilised in any way except for operational purposes. This will mean that exports of 1.5 million tonnes and the internal consumption of 3.6 million tonnes can be sustained only when the output is raised to 5.1 million tonnes. Though this will call for an increase in production by 854,000 tonnes in 1976-77 as compared with the current season, there will be an increase of only 306,000 tonnes over the record production of 1974-75. The industry is capable of achieving this output and more.

What is needed is reasonable increase in levy sugar prices, the grant of attractive rebates in excise duty for excess production in early and late parts of the crushing season and a share of the profits on exports. With the likelihood of a reduction in beet sugar output on account of drought in Europe, the demand for cane-sugar is bound to be sustained in world markets and the value of sugar exports can be easily Rs 500 crores in 1977-78 yielding a profit of at least Rs 120 crores between the government and the industry. If the

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Eastern Economist 30 Years Ago

JULY 19, 1946

Is the post-war world heading for an inflation to be followed by a slump such as was experienced after World War I ? In almost every country inflation is the topic of the day. Events have taken the most dramatic turn in the U.S.A. The long drawn price control controversy has culminated in the Congress passing the O.P.A. bill in so amended a form that President Truman has regarded it totally inadequate and used his veto. He has appealed to the people and Congress to pass a workable O.P.A. bill to protect the nation from "the great pressures upon us leading to a disastrous inflation" and "the spiral of wages chasing prices". Imminent increases in many prices on a substantial scale are anticipated and materializing and there is a reported run on U.S. economy. In Britain, too, the risk of inflation has been seriously apprehended. Lord Cherwell declared in the House of Lords, "Never in our history has the danger from inflation loomed larger". And indicates of prices and costs are rising in a rather disquieting manner. On the continent of Europe, varying degrees of inflation and types of monetary chaos are prevailing. In Hungary the situation is comparable to the German hyper-inflation after the last war, in Greece fantastic price rises and hopeless depreciation of the exchange are almost daily in evidence. In the rest of Europe, monetary measures such as freezing of deposits, withdrawal of inflationary war currency and other controls have succeeding in removing from circulation multiple currencies and in establishing some kind of monetary order; in this the present is an enormous improvement over the experience after the last war. But serious monetary disturbances are recurrent and the foreign exchanges are all weak. If global inflation is coming, how will India be affected?

problems of the sugar industry can be successfully solved, satisfactory answers will be found for problems concerning other industries. A pragmatic approach is therefore needed when tackling price policies and an unrealistic anti-inflationary approach can even be counter-productive.

TDA takes on new challenges

THE NEW orientation being given to the activities of the Trade Development Authority (TDA) is not unjustified. It was established about six years ago to foster primarily the exports of the small and medium scale units of our industrial economy. Having achieved a good measure of success in this basic objective, it was natural that this public sector undertaking, which was not to be a trading organisation but a service institution, should have taken up new responsibilities for building up infrastructure for external trade.

Although additional responsibilities came to be taken up by the TDA a couple of years ago when it set up an information cell and a research and analysis division, major strides were taken in this regard during the last financial year when both the information cell and the research and analysis division were strengthened a great deal. The TDA has now become the focal point of a wide variety of information required by our manufacturers about the export possibilities of their products and by importers abroad about our export potential.

wrong assumption

It will, however, be wrong to assume that nothing further remains to be done in this field. Although the documentation centre of the TDA is now fairly well equipped and has established contacts with a number of trading institutions and business promotion organisations in many foreign countries as well as within the country, it still has to go a long way if it is to cater for the requirements of the exporting community fully. It, of course, is encouraging to note that the TDA as well as the government is not complacent about this. The TDA is stated to have been selected recently to carry out preparatory work for formulating a concept of national centre for trade information.

export promotion

The research and analysis division of the TDA too has started contributing a good deal to the export promotion effort. Through short-term forecasting of export trends — an activity taken up a couple of years back — under which commodity-wise forecasts are worked out regularly every quarter for 27 commodity groups accounting for 90 per cent of our exports, an early warning system has been developed to enable the government to take necessary policy steps, whenever needed. These forecasts are stated to have been found very useful by the policy-makers in the government.

The other activities of this division include (i) inter-firm comparison studies, (ii) analysis of the generalised scheme of preferences, (iii) select studies for project planning, (iv) undertaking of special research projects, (iv) overseas market research specially dealing with the various parameters affecting our exports, and (vi) studies under the commercial development programme. Through inter-firm comparisons, the TDA is able to assess for its clients the comparative performance of different units within an industry for the purpose of ranking firms according to their efficiency and for motivating managements to improve their efficiency and the comparative position of their products in the international markets. Through an analysis of the generalised scheme of preferences, the TDA keeps track of country's exports to various distinations.

Very significantly, it has been found that although exports of some engineering goods went up under GSP during the first half of 1975, compared to the corresponding period a year earlier, the total exports under this scheme have not yet come up to expectations. There was even a significant decline in the exports of several non-engineering items under GSP during January-June, 1975. These included such products as textiles, jute goods, chemicals, coir and coir products and tobacco. Along with such engineering goods as diesel engines and components, hand and small tools, electrical goods and components and electronic products, machine tools and accessories and iron and steel castings and forgings, the exports of such non-engineering items as leather and leather goods, handicrafts, food products and marine products, of course, showed an uptrend during the first six months of 1975.

useful results

Destination-wise, while exports under the EEC GSP have generally done well, the Japanese GSP had not been helpful till lately not only for our country but also for the developing countries in general as neither we nor the developing countries taken together were able to maintain percentage-wise their share in the total imports of Japan over the period 1970 to 1973. It, of course, has been established that higher tariff concessions are associated with large volume of exports under GSP. This association has strengthened over the period. The various other research projects undertaken by the TDA, similarly, have yielded useful results.

In its basic objective of fostering the

exports of the small and medium-scale industrial units, the TDA has achieved further commendable progress during 1975-76 through designing and adopting new methods of export promotion, the most important among them being the arranging of buyers-sellers meets in New York and Dallas in the United States. A similar meet was arranged earlier in 1974-75 in the United Kingdom. The results achieved are stated to have been very wholesome. The New York and Dallas meets yielded on the spot export orders worth Rs 11 crores, besides inquiries later on worth nearly Rs 3.5 crores. These meets have opened new vistas for our exports.

technical assistance

The scheme of the TDA to provide technical assistance to manufacturer-exporters too has yielded significant dividends. Product adaptation has progressed well under this scheme. Several experts from the countries to which exports of particular products are attempted to be multiplied tender advice to manufacturer-exporters under the programme. The TDA also assists in securing through its own foreign exchange funds product samples from abroad as well as tools and testing instruments for their benefit. The industries covered by this programme in 1975-76 included the manufacture of bicycles and components, tentalum capacitors, metal-firm resistors, knitwear, sports goods and automotive ancillaries.

In the case of exports of automotive ancillaries, the TDA achieved a near breakthrough by participating for the first time in the specialised international automobile fair in Frankfurt. This participation not only helped in removving to a great extent the widespread ignorance and misgivings about our capabilities but also enabled the TDA clients to book business on the spot to the extent of Rs 11.71 lakhs for motor mountings, GRP helmets, brake drums, besides 250 serious inquiries about other products. Through TDA's efforts, one of its clients has also secured orders from a leading West German automobile manufacturer for the supply of specialised automotive fasteners to be fitted in vehicles as original equipment. This opens up good opportunities for the export of automotive components to sophisticated foreign markets.

a breakthrough

Through participation in the international electronics conference and exposition in Toronto, the TDA was able to stimulate last year tremendous interest among the Canadian and American buyers in our electronic products. Export orders worth Rs 28 lakhs were secured through this participation, besides inquiries for exports worth another Rs 3 crores. Considering the smallness of our exports of electronic items at present, these orders and inquiries are quite encouraging. The TDA also inculcated good interest among the west European importers for such of our items as ready-made garments, T-shirts, home furnishings, carpets, EPNS and brassware, imitation jewellery, etc.

In continuation of its long-term strategy of building up export potential, the TDA sponsored last year another 12 cases of creation/expansion of capacity for export. The total imports of capital goods under this programme would be about Rs 3.85 crores against an estimated export of Rs 63.4 crores over a period of five years. The important new projects to be set up under this programme include a unit for producing educational and mechanical toys in collaboration with one of the largest firms in the USA, a scheme for the manufacture of precision self-tapping screws in collaboration with a leading manufacturer of West Germany, a factory by technocrats for the production of tuning/recording/battery level indicators and a unit for the manufacture of special types of tapping screws by a group of India engineers settled in the USA.

capacity for export

The expansion of an existing plant manufacturing builder's hardware is another important scheme initiated under the programme of export production capacity build-up. In the previous years, the TDA had initiated the creation of substantial export capacities in such diverse fields as electronic sub-assemblies, plain/metallised plastic film capacitors, alloy steel

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Manager

castings and forgings, semiconductor devices, silver mica capacitors, cotton knitwear, high tensile fasteners, TV picture tubes, cathode ray tubes, bicycles and their components, luxury yachts, etc. Substantial export-oriented capacity has been set up in these lines.

Significantly enough, the TDA has proposed to pay concerted attention to the growing markets of Africa and West Asia also and not restrict its promotional efforts to the developed countries only. It intends to tap the African and west Asian market in a big way this year. The dynamism shown by the TDA in adapting its activities to the changing world situation and requirements as well as in strengthening the infrastructure for trade should yield very wholesome results in the coming years.

Logistics of location

REGIONAL AGITATIONS for getting high investment projects located within a certain state or area have been a normal feature of life in this country. The central idea behind these agitations has been that investment results in increase in income and employment and the location of an investment project is of considerable significance for the development of a region. Not long ago there were demands for the location of steel plants from several states. In order to study the relationship between investment and income (as well as employment generation) in an area, the Statistics Division of the Hindustan Steel Limited, Ranchi, decided at the instance of the late Mohan Kumar Manglam to undertake a case study of the Rourkela Steel Plant which has the distinction of being the first of the three public sector steel plants to be set up in this country. It is also the only steel plant at present which has a large fertiliser complex. The study was made by the Anugrah Narain Sinha Institute of Social Studies, Patna. The Institute was commissioned by the Statistics Division of HSL to find out whether or how much the local population had benefited by being in the vicinity of this investment project.

Another reason for choosing the Rourkela steel plant for study was that it was uninfluenced by other industrial projects. Whatever changes occurred in the social and economic life of the people around it could be attributed solely to the steel and fertilizer complex. In sharp contrast to it, the impact of the Bhilai steel plant in its vicinity could not perhaps be as accurately established because of the influence of neighbourhood industries.

The area under study was the Panposh tehsil whose "population of 211,000 accounts for 37.2 per cent of the total population of Sundergarh district." The population of Sundergarh district itself exceeds a million.

Interesting conclusions

The conclusions reached by the study team were interesting though by no means spectacular or surprising. The per capita annual income of Panposh tehsil came to about Rs 865 but the lion's share of it went to senior employees of the plant and traders and businessmen. Communications, trade and construction activities developed but mining and agriculture prospered only marginally. The study revealed that the poor peasant whose labour is pledged to his master cannot look forward to liberation from his traditional pattern of consumption loans and indebtedness. As regards educational or cultural benefits, the study team said: "We find a huge distinction between the realisation and the possibilities". The poorest had certainly not benefited but well-to-do households had. Well, it was after all the well-to-do who organised agitations for the location of industries in their own areas.

The team has on more than one occasion opined that such agitations are political and they succeed in influencing other policies. Whatever marginal improvement agiculture may have gained in the area under study is "due to the promotional activities of the state government rather than on account of market forces generated by the location of the steel plant." The moral is clear. The thesis that the location of a big project automatically results in raising the standard of living of all the population in the area was not proved.

The report also draws attention to certain points outside its own ambit. Work regarding the study started in 1972 but could be completed only recently because "the statewise employment dispersal figures pertaining to Rourkela steel plant were not supplied by the HSL contrary to their promise." So the study team had to stop waiting and proceeded on its own. The HSL chairman rightly hopes that the report will be "of great help to the economists, planners, administrators and industrialists who are concerned with our national programme for the continued expansion of steel capacity in the country.

Of course, we can't put a satellite in orbit, but can't we hijack one ?

Capital's Corridors

R. C. Ummat

Restructuring of oil industry • Import of computer systems • Sugar capacity expansion • BHC granulation

A HIGH-LEVEL meeting of the officials of the union ministry of Petroleum and Chemicals and the representatives of oil companies operating in the country is being held here in a few days to consider restructuring of the oil industry. Draft proposals which have been prepared by the ministry in this regard are stated to have been circulated already to the interests concerned so that they can offer their considered opinion on the subject at the forthcoming meeting.

The draft proposals envisage primarily the reorganisation of the marketing operations of the industry on a regional basis. The refinery operations, it is felt, may not be disturbed for the time being. They are just proposed to be linked to the four regional companies which will be looking after the marketing operations.

eight companies

At present, there are eight oil companies operating in the country—the Indian Oil Corporation (IOC). Bharat Refineries Ltd (BRL), Hindustan Petroleum Corporation (HPC), Caltex, Assam Oil Company (AOC), Madras Refineries Ltd (MRL), Cochin Refineries Ltd. (CRL) and Indo-Burma Petroleum (IBP). There is also the Indian Oil Blending Ltd (IOBL), a subsidiary of IOC, engaged in blending lube oils and manufacture of greases. The IOC, BRL, HPC, Caltex and AOC are integrated refining and marketing companies. The MRL and CRL are purely refining companies; the marketing of their products is done by IOC. The IBP is a marketing company which receives products for sale from IOC.

draft proposals

According to the draft proposals, the country is to be divided for the purpose of marketing of oil products into four regions—north, south, east and west. The northern region will comprise Punjab, Haryana, Jammu and Kashmir, Himachal Pradesh, Delhi, Chandigarh, and Uttar Pradesh. The eastern region will consist of the north-eastern states, West Bengal, Orissa and Andhra Pradesh. The western region will include Gujarat, Rajasthan, Madhya Pradesh and Bihar. The states of Maharashtra, Karnataka, Kerala and Tamil Nadu will form the southern region. Four regional companies are envisaged to be set up to cater for the requirements of petroleum products of the regions concerned. They will more or less have equal share of the national market—each would be catering for the requirements of a population ranging from 123 million to 150 million people.

Broadly, IOC is envisaged to be the noddle organisation which may serve the northern region as a new company. The present HPC may be the nucleus of the company to be formed to serve the southern region and BRL the unit catering for the requirements of the western region. An entirely new company is proposed to be established, after the take-over of Caltex and AOC, to serve the eastern region. The four regional companies are envisaged to be integrated refining and marketing units. The AOC, after its take-over by the government, may be made a separate refining company to be called Assam Refineries Ltd.

Thus, whereas there are at present five integrated marketing and refining companies operating in the country, after the reorganisation there will be only four such units, with AOC, MRL and CRL, which have foreign equity participation, remaining as refining companies. The lube blending activities of IOC as well as of the other refining companies are proposed to be brought under the control of one management— the Indian Lube Blending Ltd. The greases and container manufacturing units of Balmer Lawrie may also be merged with Indian Lube Blending Ltd.

The above restructuring programme does not cover the petrochemicals industry. At present, there is a separate public sector unit looking after these operations and another company engaged in the setting up the refinery-cum-petrochemicals complex at Bongaigaon, in Assam. This arrangement is envisaged to be kept up.

effective coordination

For effective coordination among the four integrated refining and marketing regional companies, it is proposed that an apex body may be set up. This body may include the chairmen of the four proposed regional companies as well as a representative of the union ministry of Petroleum.

In restructuring the oil industry, the primary aim of the ministry of Petroleum is to achieve maximum utilisation of the existing facilities of all oil companies and optimisation of their economics of scale. The ministry does not feel that the interests of consumers would suffer due to lack of competition among the four regional companies. It thinks that when prices of products are fixed, there cannot by any real competition between two or more public sector undertakings.

On the other hand, it is expected that when there is only one company in the field in a particular region, it would be able to safeguard the interests of consumers through intensive supervision of distribution operations and more effective utilisation of installations and staff.

The refineries and the pipelines division and the research and development centre of IOC are envisaged to be kept under the regional company catering for requirements of the northern region.

* *

The Electronics Commission has revised, with immediate effect, the policy regarding import of computer systems by Indian nationals returning from/residing abroad. Hitherto, with a view to building up quickly computer software in the country and creating employment potential for the highly qualified Indian engineers and scientists, the Commission has been allowing even imports of second-hand computer systems purchased out of the foreign exchange earnings of the Indians residing abroad or returning to the country. The change in the policy has been necessitated as it has been found that practically all computer systems sought to be brought into the country by the Indian nationals returning from/residing abroad are obsolete in design and highly limited in application. They have also been proposed to be used for applications of routine data processing nature, largely from the viewpoint of earning high profits rather than of making any contribution to the development of industry within the country,

Henceforward, the import of computer systems by Indian nationals returning from/residing abroad will be governed by the following policy:

(a) Only new computers will be permitted to be imported; second-hand/used/reconditioned computers will not be allowed.

(b) The computer systems thus imported will not be used for setting up service bureaus in the country; they would be used either for specialised applications within the country or for overseas customers in such areas as engineering design, engineering consultancy, process control, data preparation/system conversion jobs and software development/generation on a 100 per cent export basis.

(c) The systems will need to be bought outright by the returning Indian(s) and installed and maintained on the basis of arrangements made by the returning Indian(s) which are approved by the department of Electronics.

(d) The total foreign exchange requirements for the import of the computers as well as for subsequent maintenance would be met out of the foreign exchange earnings of the individual(s) returning from abroad or identified associates of his/them residing abroad and no request for release of foreign exchange for imports of spares or any other accessories for the systems shall be entertained.

* *

Apparently not satisfied with the progress of implementation of the licences issued for augmenting the sugar manufacturing capacity through substantial expansions of the existing units and also taking into consideration the difficulties being experienced by these units in financing wholly their projects from internal resources and borrowings from commercial benks, the government of India has decided to allow all such units the facility of term-loan assistance from the central financial institutions, However, to ensure that the draft on the central financing institutions is kept to the minimum, the existing sugar factories availing themselves of the term-loan facility from these institutions for effecting substantial expansions can do so only if their equity-debt ratio after expansion does not exceed 1:1.

Several licences for substantial expansions of the existing sugar manufacturing companies came to be issued in December, 1974, on a selective basis, even though licences for raising the capacity to the 1978-79 targetted level of 70 lakhs tonnes had been issued, on the consideration that these licences may not yield the desired 60 lakh tonnes actually installed capacity by the end of the above year.

All the sugar factories having licences for effecting substantial expansions carrying the restrictive condition that they should not approach the central financing institutions for term-loan assistance, have been asked to get this condition suitably modified from the secretariat for industrial approvals of the ministry of Industrial Development.

* *

The government of India has approved the setting up of a BHC granulation formulation plant by Hindustan Insecticides Ltd. To be located at Udyogmandal, in Kerala, the project will involve an outlay of Rs 6.21 crores, including approximately Rs 15.4 lakhs expenditure in foreign exchange. Its capacity will be 6,600 tonnes BHC granules per annum. Though envisaged primarily for making BHC granules, it will be a versatile unit capable of producing granules of other pesticides also.

BHC granules are particularly useful for stem borers for paddy. Its application is easy, effective, long lasting and yet safe.

The project is a significant milestone in HIL's operations as it heralds its entry into the agricultural marketing field in a big way. It is for the first time that manufacture of granules in the country is being taken up on large scale.

With the approval of the above project, all the new expansion projects of HIL—1,800 tonnes malathion plant, 5,000 tonnes DDT plant, 1,600 tonnes endosulfan plant and the 6,600 tonnes BHC granulation plant—included in the fifth Plan have received government's sanction.

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CHUC-[illegible]

POINT OF VIEW

Balance-sheet of decision making

Dr Girish K. Srivastava

Dr. Girish K. Srivastava is a lecturer in the Department of Accountancy and Business Statistics, University of Rajasthan, Jaipur. In this article, he has shown how the balance-sheet can be used for forecasting short-run needs of finance when sales improve.

FINANCE AND financial decisions are important for a business enterprise. For want of funds no business can be established and run smoothly. Therefore, raising of adequate and timely funds needs to be tackled keeping in view the long term perspective. Funds may be raised either through equity or through long-term or short-term loans or through all of them together. Equity is useful in the beginning, long-term finance for expansion. For other needs, short-term finance may be raised.

This article attempts to examine the considerations which the management of a firm should regard as important for making financial decisions on the basis of its balance sheet for meeting regular needs of the business or for purposes of expansion.

basic consideration

A firm needs some assets in order to carry on its activities and if its activities are to be expanded, it must have more of assets. This is the basic consideration with which financial planning starts. As a firm grows, it requires new investments—immediate investment in current assets, and as full capacity is reached, investment in fixed assets as well. Since a growing, profitable firm is likely to require more cash for investments in receivables, inventories and fixed assets, it will naturally have a cash-flow problem. The nature of this problem, as well as the cause and effect relationship between assets and sales, has been shown in the diagram below.

As shown in the diagram, the increased volume of sales leads to the need for additional finance. Increase in the financial requirements in response to an increase in sales can be illustrated with the help of Table I.

Diagram showing the Cash-Flow Cycle

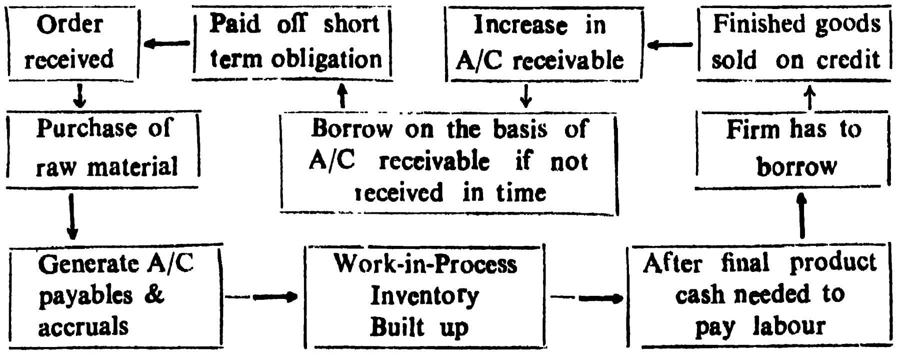

Order received
Paid off short term obligation
Increase in A/C receivable
Finished goods sold on credit
Purchase of raw material
Borrow on the basis of A/C receivable if not received in time
Firm has to borrow
Generate A/C payables & accruals
Work-in-Process Inventory Built up
After final product cash needed to pay labour

TABLE I

Sales, Assets and Liabilities During 1965-75 in X Company Ltd

(Rs in million)

Year	Sales	Current Assets	Net Fixed Assets	Current Liabilities	Long term Debts	Shareholder Equity
1965	10	3	1.5	1.5	1.0	3.0
1970	28	9	4.0	4.0	6.0	6.5
1975	42	15	6.0	7.2	7.0	11.0

Note: Only significant items have been taken from the balance-sheet.

We would take the percentage increase of each of the items for the years 1965-70 and 1970-75 for comparison. Percentage increase in 1970 has been calculated on the basis of 1965 and that for 1975 on the basis of 1970. Table II shows these percentages.

Table II shows that sales have increased during 1970 as compared to 1965 by 180 per cent, current assets by 200 per cent, and net fixed assets by only 167 per cent. The increase in sales to the tune of Rs 18 million gave rise to the need for finance by Rs 6 million in the form of current assets and Rs 3.5 million in the form of net fixed assets. Thus current assets rose by about 33 per cent of the increase in sales and net fixed assets by somewhat over 19 per cent. Stated differently, for every Rs 10 million increase in sales the company has to finance an additional Rs 3.3 million in current assets and Rs 1.9 million in net fixed assets.

During 1975 the percentage figures are smaller than in 1970. The reason is that the rate of growth has slowed down during the latter period as compared to the earlier period where the rate of growth was very high. Here we again note the same phenomenon as seen earlier in regard to increase in sales requiring more financing. In fact, there is close correspondence between the percentage increase in sales and percentage increase in financial requirements.

Important variable

We may infer from the above example that the most important variable which influences a firm's financial requirement is its projected sale. Therefore, a sales forecast is the foundation for taking future financial decisions. The same fact can also be expressed in terms of the percentage of sale invested in each individual item of the balance sheet. To illustrate this point, an imaginary balance sheet of a firm has been taken. During 1975 the sale of this firm was Rs 400,000 and profit margin after taxes was five per cent and it earned Rs 25,000 after taxes and distributed 50 per cent profit. Now the point is: what additional funds are required if sales expand to Rs 5,00,000 during 1976. This is explained by the model balance sheet given in Table III alongside with relevant calculations.

First, we should isolate those individual items which are expected to vary directly with sales because large volume of sales needs more cash or transactions, more receivables, higher level of stock and additional plant capacity. On the liability side also accounts payable and accruals may be expected to increase with increase in sales. Retained earnings depend on the profitability of the firm and profit distribution policy of the firm. The item of capital and mortgage loan will not increase spontaneously with an increase in sales. So we did not calculate the percentages of these three items in Table IV.

Thus it is clear from Table VI that for every 100 per cent increase in sales, assets must be financed by 75.05 per cent as they increase by this percentage while accounts payable and accruals contribute 15 per cent towards assets and leave 65.65 per cent assets for additional funds. The funds may be collected through internal or external sources.

If we want to expand our sales from Rs 4,00,000 to Rs 5,00,000 (by Rs 1,00,000) during 1976, 65.05 per cent additional funds would be required for this expected increase of sales, i.e., Rs 65,050. During 1976, the firm earns profit after taxes at Rs 31,250 and decides to distribute 50 per cent of it to partners and retains Rs 15,625 in the firm which can be used for its financial need. If it uses the amount for this purpose the balance (Rs 65,050 – Rs 15,625) i.e. Rs 49,425 is still required which can be obtained by external sources. If in a particular year retained earnings are more than the firm's financial requirements and it wants to use retained earning, in that

TABLE II

Percentage Increase in Sales, Assets & Liabilities During 1970 and 1975 by taking 1965 and 1970 as Base

Years	Sales	Current Assets	Net fixed Assets	Current Liabilities	Long term Liabilities	Shareholder Equity
1970	180	200	167	180	500	117
1975	50	67	50	71	17	69

TABLE III

Balance Sheet as at 31st December, 1975 (Model)

Liabilities	Rs	Assets		Rs
Accounts payable	40,000	Cash in hand		10,000
Accrued taxes & wages	20,000	Stock		80,000
Retained earning	80,000	Receivables		75,000
Mortgage loan	60,000	Fixed assets	1,50,000	
		Less depreciation	15,000	1,35,000
Capital				
X 50,000				
Y 50,000	1,00,000			
	3,00,000			3,00,000

case, the firm does not require outside funds. This depends on the financial policy of the firm as to how it meets the need for funds.

The use of balance sheet for making financial decisions assumes that some of its items vary with sales but the ratios of these items to sales remain constant. The decision-maker computes past relationship between assets and liability items and sales, assumes that the same relationship will continue and then applies the new sales forecast to get an estimate of the financial requirements. This method is useful only for relatively short-run financial decisions. In the long-term decisions, balance sheet items and sales relationship may not be useful. This technique suggests financing of growth from external sources without straining the internal sources.

TABLE IV

Composition of Balance Sheet Expressed as a per cent of sales

Liability		Assets	
Accounts payable	10.00	Cash	2.50
Accrued taxes & wages	5.00	Stock	20,00
		Receivables	18.75
		Fixed assets (Net)	33.75
	15.00		—75.05

Statement showing the per cent of each additional rupee of sales that must be financed	
Assets as per cent of sales	75.05
Less—Liabilities as per cent of sales	15.00
	60.05

Sad plight of construction equipment

M. L. Jain

The heavy equipment lying idle at construction projects gives a sad but true picture of apathy towards this valuable asset. No one seems to be concerned with this loss to the nation, says the author.

IN A country of the size of India, there are always specialised jobs of gigantic nature such as dams, canals, drainage systems, power houses, aircraft runways, hangers' overhead flyover and other specialised bridges and underground railways. There are also such jobs as habours, ports, shipyards and docks, gigantic factories and mills, multistoreyed buildings or national highways. In addition, there are specialised and secret projects of Defence, atomic energy or expansion programmes which need to be executed without hampering existing production facilities. Specialised works are also the outcome of a combination of expertise and scientific approach on structures, architecture, utility, life span and speed in the construction of huge public works.

Besides the factors of specialisation and enormous size, the time factor is also very important. The developmental projects should start giving returns and benefits as quickly as possible. This objective can be achieved only by the maximum use of mechanisation. The quicker a project is completed the lesser is the cost to the nation. The benefits and returns flow quicker and in many cases help other projects in accelerating their speed. This is how developed countries accelerated the speed of their development. There is no escape from heavy mechanisation of construction of developmental works.

All the specialised projects require specialised construction equipment not only to expedite construction and thus reduce cost thereof and quicken the outflow of benefits but also to ensure development of necessary technological competence and manpower. On the other hand hardly any specialised construction equipment is manufactured in India except a few standarised dumpers, earth movers, road rollers and cranes. Most of the construction equipment of highly specialised and gigantic nature has to be imported either readymade or made to order. In either case there is heavy drain on valuable foreign exchange and we are dependent on outsiders for the supply of spare parts. Technological development is taking place abroad at the cost of our country.

There is no coordination between users and manufacturers of construction equipment in the country. There is no research and development agency in this regard. Nor are there any efforts to develop national technological competence and standardisation in spite of the enormous demand in the country.

There are many instances where transfer of such equipment from one owner to another or one department to another keeps on hanging for long due to disputes about its valuation and in the meantime the equipment remains idle leading to deterioration of equipment and loss of competent manpower. Thus the shortage of equipment and manpower is mostly man-made.

The heavy construction equipment lying idle at each project gives a sad but true picture of apathy towards such useful and valuable equipment. Apathy and carelessness has developed during the passage of time due to notorious shortage of spare parts and difficulties in getting import licences. This position has been accepted just lying down.

Due to the absence of a national policy, objectives and organisation idle construction equipment at the projects is really alarming. No one seems to be concerned with the huge loss to the nation. In some cases equipment is lying idle just because specialised imported grease and lubricants are not available. One cannot imagine a more depressing picture.

uncertain fate

The negligence shown to the equipment is also due to the fact that the fate of the equipment is uncertain after the project for which it was procured is completed. This applies both to a contractor and a department of the government. No attention is paid towards long-term utility of such heavy and costly equipment. Apparently the situation gives a picture of shortages and scarcity, while actually it is carelessness and general apathy in the conerned quarters.

Presently the construction equipment is mostly used by contractors, except for certain departmental jobs in the Defence services or the like, where secrecy is of utmost importance. Obviously, the contractors have to shift the heavy construction equipment from project to project. This is a very costly and time consuming process. The whole thing has to be dismantled into convenient pieces, special trailors and/or wagons are required, a squad has to move along with the equipment and then the whole thing has to be re-erected. The costs and time involved can be well imagined. The losses of spare parts and breakdowns in the whole process are enormous. There are cases where contractors have abandoned construction equipment under the plea that it is unservicable and unworthy of re-use. Even its disposal becomes a problem with the project authorities. There are no specialised agencies for taking up overhauling jobs. Foreign manufacturers obviously discourage the ideas of overhauling. There are not even specialised junk dealers for such equipment.

a sad story

The manpower deployed on heavy construction equipment is another sad story. There is no proper training arrangement either by the users or by the manufacturers. Sometimes operators and mechanics are idle and on other times dictate terms. In both cases there is no guarantee of properly trained man being available or posted in the right position. This situation is mostly responsible for heavy breakdowns and fatal accidents. Due to positioning of ill-trained persons there are mishaps and the jobs thus acquire allegedly "hazardous work" stigma.

If properly done, there is nothing like a hazardous job. Heavy construction equipmet in many projects remains idle on the ground also that the operator and or mechanic is on leave or is scheduled to arrive by such and such date. No contractor can afford to have a pool or leave reserves for such specialised and rare requirements. Unfortunately, the contractors are the only class in the country who have so far not organised themselves as a group by forming a chamber or an association and therefore their resources and competence remain scattered and not fully exploited. The situation is exploited by unscrupulous men at the cost of the country.

From the above it is obvious that there is an urgent need for a national policy on construction equipment and an immediate reorganisation of this vital but neglected sector is essential.

public enterprise

Since most development works are undertaken by the government, it is urgent that a public sector enterprise should lead the country by organising the most efficient exploitation of the country's resources in this regard. The public sector enterprise can own, hire (in and out), maintain, repair, overhaul, and thus ensure uninterrupted availability of construction equipment. It can fix priorities taking national interests into consideration and thus eliminate idle machines and men. The enterprise can organise manpower training centres both for operation and maintenance. It can also establish a Research and Development centre.

Workshops can be established to develop indigenous competence for the manufacture, first of spare parts, then components and ultimately complete equipment. This enterprise can also reclaim and salvage old equipment for re-use. It can introduce standardisation, locate nearby places for transfer of equipment and men and organise squads for emergencies. This public sector corporation can also collect historical data, analyse it and after correcting the same to be as near to reality as possible, set out and fix future trends, demands, sources of supply and priorities. In collaboration with users and manufacturers it can launch programmes of import substitution and self-reliance in a phased manner. There is no limit to services it can render to the neglected and starved sector of construction equipment, and thus not only conserve scarce foreign exchange but also ensure most effective deployment of it in the country.

WINDOW ON THE WORLD

Economic forecasting

1974 and 1975 found the public awash in a flood of economic forecasts, but forecasts which—in the European region, at least—were not at all borne out by what actually came to pass. How are these discrepancies to be justified or can they be reconciled? This article is the result of a group effort by the Economics Department of PROSPECTS, a publication of Swiss Bank Corporation, Basle.

WHAT MIGHT well hold true on the macro-economic level should not be taken to apply unconditionally to the individual case (or *vise-versa*). For instance, a perception that recession was on the way might be perfectly valid-but it would hardly be defensible to say that somebody should therefore increase his consumption or investment, without looking at the actual facts of his own individual situation.

limits to growth

Some predictions incorporate a tendency towards prevention of the forecast event, while others lean towards the category of self-fulfilling prophecy. Publications such as the "Club of Rome" study on the limits to economic growth are obviously not intended to further the postulated decline of civilization. On the contrary the object is to deflect the fateful trends. And as an example of forecasts which themselves contribute to their own accuracy: price rises become increasingly probable as the word spreads that we are having to cope with inflationary forces.

Finally, the distinction must be mentioned between forecasting proper and the setting of targets. The former uses a certain number of independent factors to arrive at a solution of the dependent variable in question. Target figures involve forecasting in the sense of setting out alternative paths for reaching the objectives defined.

The "qualitative" methods amount to descriptions of what the future is likely to bring rather than calculations. With the relatively low outlays involved, these techniques are widely used. The procedure known as "visionary forecasting" relies on personal insight, expert judgement and "intuition" as opposed to the application of scientific methods. The resulting information is mainly in scenario form, presenting what several experts believe to be the possibilities in the light of their experience. The accuracy of this technique on its own would be limited no matter what range of forecast was involved. In practice, however, current knowlede of the results of better methods is being worked into this sort of prognosis.

historical analogies

A more expensive approach to qualitative forecasting is derivation by analogy, specifically the use of historical analogies — i.e a comparative analysis of known patterns of development. It takes a significantly longer time to carry out a study of a past phase of development (even better: various phases) covering several years, although the results are correspondingly more acceptable. But even this procedure is insufficiently precise when the objective is the accurate prediction of turning points in the economy.

The application of indicators represents an attempt to turn the analogy method into a statistical exercise. The rationale is the recognition that there are series of data which occur before, during, or after certain other, economically-important, series; the primary stress here is on turning points, and a great deal of interest is shown in the "leading indicators" published by US government offices.

suitable indicators

The main problem lies in the selection of suitable indicators. A close analasis shows that the list of 73 "cyclical indicators" published regularly in the US includes 2 which stand out as indicative of the extreme values: unfilled orders and accession rate of employment. Most of the indicators have been found wanting, for prediction purposes, because their time leads are too short or their behaviour is too erratic. It is true that the indicators have "missed" turning points in only 2 of 117 cases, although they also prompted forecasts of a number of recessions that failed to materialise. The indicators ought probably to be providing the appropriate signals before an economic upswing can be expected — but on their own they are not enough. "Cyclical indicators" thus seem to be useful as an "early-warning system" but hardly as a full-fledged and self-contained forecasting mechanism.

A completely different procedure involves questioning a number of experts and "man-in-the-street" respondents by which one hopes to objectify or even to quantify subjective opinions.

The first step is to ascertain which subjects to question. For instance, there is hardly any point in surveying an urban population on fertilizer consumption and using the results to calculate a figure for rural demand. The scope of the survey also has to be determined: broader surveys usually produce better results, but they also mean higher costs. Another problem is that subjects can be induced to deliver "coloured" responses, so that the formulation of questions and the interviewer's demeanour become matters of concern.

These difficulties can be partially overcome by using more demanding survey methods, such as the panel technique. A panel survey can be a repeated culling of information from the same group of subjects at what are usually regular intervals. One example of this is the collection of data for Switzerland's consumer price index.

Not even the best survey, though, truly predicts the future. At best, the results amount to an inventory of the opinions, attitudes and expectations of the individuals involved. The professional competence of the subjects and the conscientiousness of their responses—at least in the simpler surveys—are and remain question marks.

Delphi method

The Delphi method presents a somewhat different picture. It aims at determining the facts and timing of uncertain future events with the help of systematic, repeated surveys of experts. In light of what has been called the recent flood of forecasts, it could be that the Delphi method is the appropriate technique for a clarification of views.

We turn now from methods in which subjective judgments by experts and the "man in the street"—qualitative hypotheses—play a central role, to techniques which are geared from the outset towards the production of of objectively quantified forecasts. Underlying these models is an idea of flows of goods and services between different economic sectors. Each sector is represented as a produce of goods and services (outputs) destined for certain other sectors in a specific distribution pattern, and is also seen as a consumer of goods and services (inputs) necessary to its production. Investigating the relationships between the various inputs and total output in the individual sectors allows us to determine what amounts of goods and services have to be produced, and where, in order to keep capacity shortfalls and over-capacity to a minimum and at the same time to satisfy a given level of demand.

input-output models

Input-output models can give us interesting information about the economic structure of a country and how it changes. This is the source of its usefulness in arriving at sectoral forecasts as well as in assessing structural influences. This technique, however, does not particularly lend itself to the preparation of medium-range forecasts, and least of all to the projection of final demand. Even in the remaining areas, worthwhile results can only be expected if the exercise is based on a comprehensive, statistical substrate which represents individual industrial sectors accurately. This means its application in the Swiss context would be illusory.

The simplest variant of the quantitative analysis of economic developments is the study of a single time series, which is a sequence of statistical observations on the state of play over a certain period (for instance: monthly sales figures). The object is to isolate various components of the time series.

In general, four separate components are distinguished. Seasonal variations (1) repeat themselves at more or less the same time every year. On the other hand, a trend (2) is a steady change in the magnitude or level reflected in a series over a longer period of time; one example would be a gradual change in the composition of the active population, or in its size as a percentage of the total population. Cyclical variations (3) are phases of expansion or contraction, which are witnessed in most economic indicators and are experienced every two, three or more years. Finally, there are (4) the irregular variations which fall outside the other three categories. These irregular variations are most often caused by unforeseeable events such as disasters, wars or strikes.

A number of statistical tools exist for isolating series elements. Examples are the moving-average technique, exponential smoothing, and the Box-Jenkins method. They all assume that existing patterns will to a certain extent continue into the future; for predictive purposes, these techniques find application with particular regard to the more immediate future. Spectral analysis is a new technique for identifying and extracting the various cycles contained in certain time series. For instance, spectral analysis can lead to the finding that cycles of two, five and twenty years are present in a given time series, at the same time allowing something to be said as to the amplitude of the variations involved.

regression analysis

This technique is a first step towards the quantitative analysis of the built-in interdependence between two or more time series within a fixed period. Regression analysis also performs well in the service of time-series analysis, with a difference between them in the treatment of time as an implicit or variable. It produces an equation in the form, $Y = a + bX$, for instance) which can be used to help build up a forecast, provided that a prognosis is already available for the independent variables.

Regression analysis enables a line

to be plotted which represents the best fit to the data points and observations. It involves minimising the sum of the squares of the differences along the X-axis between the data plotted on the graph and the line followed by the regression equation. In reality, of course, the appearance of "accidental" or inexplicable behaviour is most common. As a rule, the independent variable X alone will not suffice to explain the behaviour of the dependent variable Y; an error term crops up, so that the above equation becomes $Y = a + bX + u$.

This technique gives the analyst the advantage of being able to discard extraneous elements. Various tests have been developed for the purpose, such as calculation of the regression coefficient (R^2), correlation ($\sqrt{R^2}$), standard deviation, and the so-called t-statistic. The application of such techniques when an economic event is determined by a number of factors allows the discovery of auto-correlations (serial correlations), which can be analysed further by using other procedures (Durbin-Watson test, von Neumann ratios). The analysis also has to resolve the multi-collinearity problem, the possibility that independent variables might be statistically interrelated.

necessary conditions

If the tests indicate that certain conditions necessary for a normal regression line (ordinary least squares) are lacking, more complicated procedures are brought in (indirect. simultaneous, two-stage least squares). They postulate a system of at least two equations and accordingly find application, above all, in the articulation of models.

This strikes the layman as all very abstract and far removed from economic reality. When applied by the non-economist or the economist with a weak background in mathematics, such analysis can develop into an endless repetition of trial runs. But if valuable insights are to be gleaned from a sufficient depth of material and knowledge about economic interrelationships at a given moment, this is the only technique available for handling the information in a way which can be quantitatively checked.

sophisticated instrument

The macroeconomic model is the most sophisticated instrument available for handling one or more national economies. A static model presents a picture of the complex relationships between the major macroeconomic factors in a single glance; a dynamic model, with a foundation of historical information, is able to anticipate events in that it "simulates" the economy's future behaviour on a computer. As a system of interrelated equations, a model can take advantage of the existing level of computer capacity to incorporate all the variables considered necessary, or simply available, and it can be oriented towards short-term, medium-range, or long-term forecasting. The econometric model can take in information produced, by all the other techniques, and it has the edge on the others not only because of its complexity and its breadth but also because it can deal simultaneously with the structure and the progress of an economy.

Models, too, are obviously not going to be absolute proof against subjective elements. To be sure, the equations are tested for their fit with the statistical past, but they are initially set up on the basis of theoretical knowledge. The selection of dependent and independent variables and the treatment of causality are linked with the theoretical bent of the model's author and influence the prognosis.

Furthermore, exogenous variables (whose solutions are not supplied from within the model) have to be drawn from other sources; such elements come into play specifically when policy variables are present which are dependent on the forecaster's intuition. But these are minimal, arbitrary elements which can be identified precisely and which accompany a maximum of objective information.

There are certain prerequisites for forecasting by model, a fact which often creates difficulties. For one thing, accurate, complete and comprehensive statistical data must be available—a condition, unfortunately, which is not present to an equal degree in all countries. Particularly serious gaps in this regard turn up in Switzerland, in comparison with other highly developed countries. Because of a model's complexity and the fact that it has to be adjusted periodically to accommodate the structural changes observed, the technique necessitates a heavy log of computer hours and a highly qualified staff: application is either cumbersome or extremely expensive.

macroeconomic models

In addition, monetary systems have not yet been satisfactorily integrated into macroeconomic models—this is all the more true for monetary system on the international level. But prognosis by model is an ongoing process, and not the least of its features is that gaps, and weaknesses, are ruthlessly exposed and clearly identified and can thus be singled out for treatment.

So what are we to conclude from all this? Prognosis is becoming increasingly difficult to avoid as time goes on, because it provides the necessary framework for making rational decisions—and the better the forecast, the better the basis and thus the likelhood of success for the decision. From this point of view, which techniques ought to be given preference?

Every forecasting method bases itself on observation of chronological developments in data series and their determinants as well as the future propagation of these time series under stated conditions. Each prediction is therefore dependent on the conditions which provide its foundation. Hence the pointlessness of cries for perfect forecasts. The advantages of forecasting techniques which make explicit a multutitude of quantified assumptions and then work with these postulates — against the "naive" method, in which the assumptions of past development patterns or an arbitrary variation of certain factors— are that the assumptions can be discussed individually, and that it is possible at all to consider the significance of each. This is the only way learning processes and rational evolution become possible.

Whether or not a forecast is accurate is not the only important consideration: another question is *why*. How can we be expected to know which economic policy measures are appropriate and in what proportions, without being able to isolate and study their effects as simulated on a model? The number of errors which will inevitably be revealed increases with the precision of the model, the number of individual variables it incorporates. True, errors can be masked by false assumptions or improper functioning of the model, but discrepancies will eventually be pinpointed.

Indeed, the relationship between prognosis by model and the "visionary" forecasting mentioned earlier can be compared to that between modern electronic data processing techniques and counting on your fingers, and the analogy rests on more then just the relative investments in knowledge and financial resource involved or the differences in performance: We are well advised to keep doing certain things by hand, but we would hate to go back to relying on manual labour for everything.

Europe on way to recovery

E. B. Brook

This review of the current economic scene in Europe highlights the economic plight of both Italy and Britain, the ill-effects of drought in west European states and the advice of the OECD ministers regarding control over inflation and unemployment to generate further growth in the economies of the countries in this group.

ANOTHER INTERNATIONAL economic conference; more acknowledgements—this time from the French President—that the wealthy fully-industrialised world owes a good deal more active cooperation to many countries in Asia, Africa and South America; and west Europe perplexed what to do with its economic enfant terrible, Italy: this is a familiar pattern, causes no surprises and raises no expectations.

There is a sneaking but widely-held opinion that the San Diego conference is as much an election manoeuvre by President Ford as it is a serious effort to move once again to set right a very economically sick world. President d'Estaing made his recommendations of greater cooperation to an audience of British bankers and businessmen during his state visit to London and spoke as one former imperial state chief to others of the same type. The Italians, having voted another impasse in their domestic politics, have a deficit equal to 13 per cent of their gross national product, are still waiting for an IMF stand-by loan of $ 530 million because of the Fund's concern over a projected increase in the Italian treasury deficit in 1977, and, while seeking more loans, are preparing to approach the German Bundesbank for a cheapening and slowing down in the schedule of repayments of the $2 billion credit which Bonn extended to Rome in its most recent acute monetary crisis.

It is only three weeks since the Group of Ten made a $5.3 billion loan available to Britain at a time when the £ was taking its latest fall. That loan has a time limit and conditions: it is scarcely to be expected that Italy will receive easier treatment. While some, impressed by two years of wage restraint in Britain, are convinced that recovery is definitely on the way there, no one has such faith in Italy. While a number of Italians are genuinely trying to cut their personal spending this cannot be said of the nation generally which, in the cities, makes great show of luxury living. Tourists return from Italy complaining of extortionate charges and the effort to delay and reduce loan repayments makes a very poor impression. Herr Haferkamp, the European Community Commissioner for Economic Affairs, has spoken of a "Marshall Plan" for Italy similar to that initiated by the US for western Europe after the last war. (Only the Austrian Chancellor, Dr Kreisky, has ever spoken of a Marshall Plan for industrially developing countries.) Haferkamp has called for "massive international solidarity" to enable Italy to carry out far-reaching economic, social and administrative reforms. Support might come also from the US and Japan.

The likelihood of such massive support for a government unable to rule effectively, which tolerates tax evasion in return for party support and which does little to cut spending has been damaged by the "non-result" of the Italian elections. Use of impressive phrases by European Community Commissioners for what they know must be a very reduced effort dangerously, saps public faith in Community pronouncements. It is only a few months since the Community members France and Italy were violently at odds over Italian cheap wine imports. It was almost laughable three weeks ago to read that Italy was among the guarantors of a massive loan to Britain: few of leading industrial states today, with steadily rising unemployment and inflation have either the will or the ready means to hand out "massive" help to a country which they regard as a weakening influence within both the Community and the NATO.

Currently, the Community as well as several west European states have another uncontrollable drawback on their hands—drought. Almost all of Britain is suffering badly from drought and a severe heat wave. The rich grasslands and green belts of France are so badly affected that, unable to feed all their animals, farmers are sending cattle for slaughter by thousands. There is growing threat of a "beef mountain" as 10,000 tonnes of meat join the 300,000 tonnes already in Community-approved cold stores. If the final solution is like that of the butter and sugar "mountains" this meat will end up cheaply in Soviet cold stores.

Two meetings this week have shown much more sense of reality than those who speak of "massive" international help. Trade unionists, employers and Community ministers held a day's conference to discuss inflation and its effects. The inflation rate is up from nine per cent last year to 13 per cent in the first four months of this year. This high rate of inflation is steadily generating unemployment and thus, according to many in Europe, undermining the democratic structure of the Community.

The OECD ministers have similarly stressed the point that unless member states make further progress in subduing inflation there must be considerable caution in seeking to reduce unemployment and restore industrial activity to more normal figures. If inflation could be further reduced there was scope for the GNP growth rate of the OECD as a whole to average slightly over five per cent over the five years to 1980 with world trade expanding by eight per cent or something more.

The need for caution and economy has been stressed by the OECD ministers frequently. Governments should make "firm use of fiscal and monetary policies to achieve the general stability in their economies that non-inflationary growth requires". They recommended that in most countries policies should be directed more towards promoting investment than consumption.

In contrast to the optimistic talk from Brussels about "mammoth help operations" for countries in sore economic straits, the OECD criticizes plainly "some larger member countries and quite a number of smaller ones for running unsustainably large current account deficits, "Those with a strong external position were asked not to resist market forces tending to push their current account into deficit.

Avoiding the general practice of moving easily from pessimism to almost excited relief in commenting on and assessing individual states' economic positions, the OECD prefers slow but steady recovery safeguarded by cautious avoidance of rushing for recovery and hailing it before better fortune has been certainly established.

To choose a future

Amulya Kumar N. Reddy

"The kind of society and the kind of environment being created by the developing countries is largely dependent on the kind of technology they choose for the job of development"—this is the conclusion reached by Amulya Kumar N. Reddy who is the Convenor of ASTRA (Cell for the Application of Science and Technology to Rural Areas) Indian Institute of Science, Bangalore. He is currently on a one year assignment with the United Nations.

SCRATCH ANY piece of techology and you will find the values and aims of a society it was designed to serve. For technology is like genetic material—it carries with it the code of the society which conceived it.

That is why the choice of technology is such a crucial decision for the developing countries today. The kind of society and the kind of environment which they will create depends to a large extent on what technology they choose for the job of development.

There are several possible technologies, for example, for increasing fertiliser production—a task which almost all developing countries are now setting themselves. How does the choice of technology for that job affect the kind of society and the kind of environment created?

One possible choice is the installation of large coal-based fertiliser factories. Another is the building of small bio-gas plants at village level. The bio-gas plant breaks down human and animal wastes into a rich fertiliser and releases energy in the form of methane gas which can be used for cooking. The graph (see page 147) summarises the different impacts of the two methods.

The target for each method is the same—230,000 tonnes of nitrogen fertiliser per year.

Firstly, the choice of village level bio-gas technology base fertiliser production on renewable wastes as opposed to non-renewable resources.

Secondly, the bio-gas plant is non-polluting, whereas the coal-based fertiliser plant causes serious atmospheric pollution by emission of carbon dioxide.

On the economic front, the small-scale village bio-gas alternative saves \$15 million of precious capital and \$70 million of foreign exchange in countries which have acute capital shortages and balance of payments crises. In addition the bio-gas plants yield a higher return on investment and deliver the urgently needed fertiliser more quickly—because the small plants can be brought to full production capacity in months whereas the large coal-based plant takes years to build and tune up to full production.

In terms of social development, the choice of bio-gas technology disperses production to 26,150 villages rather than concentrating output in one centre. So the benefits of development are spread more evenly. At the same time, it generates 130 times as much employment in countries where unemployment is one of the greatest perpetuators of poverty. And it provides that employment where it is most needed—in the poorer rural areas where the majority of the population still lives. In so doing, it also helps to arrest the disastrous drift to the slums and shanty-towns which surround many of the Third World's cities.

at the source

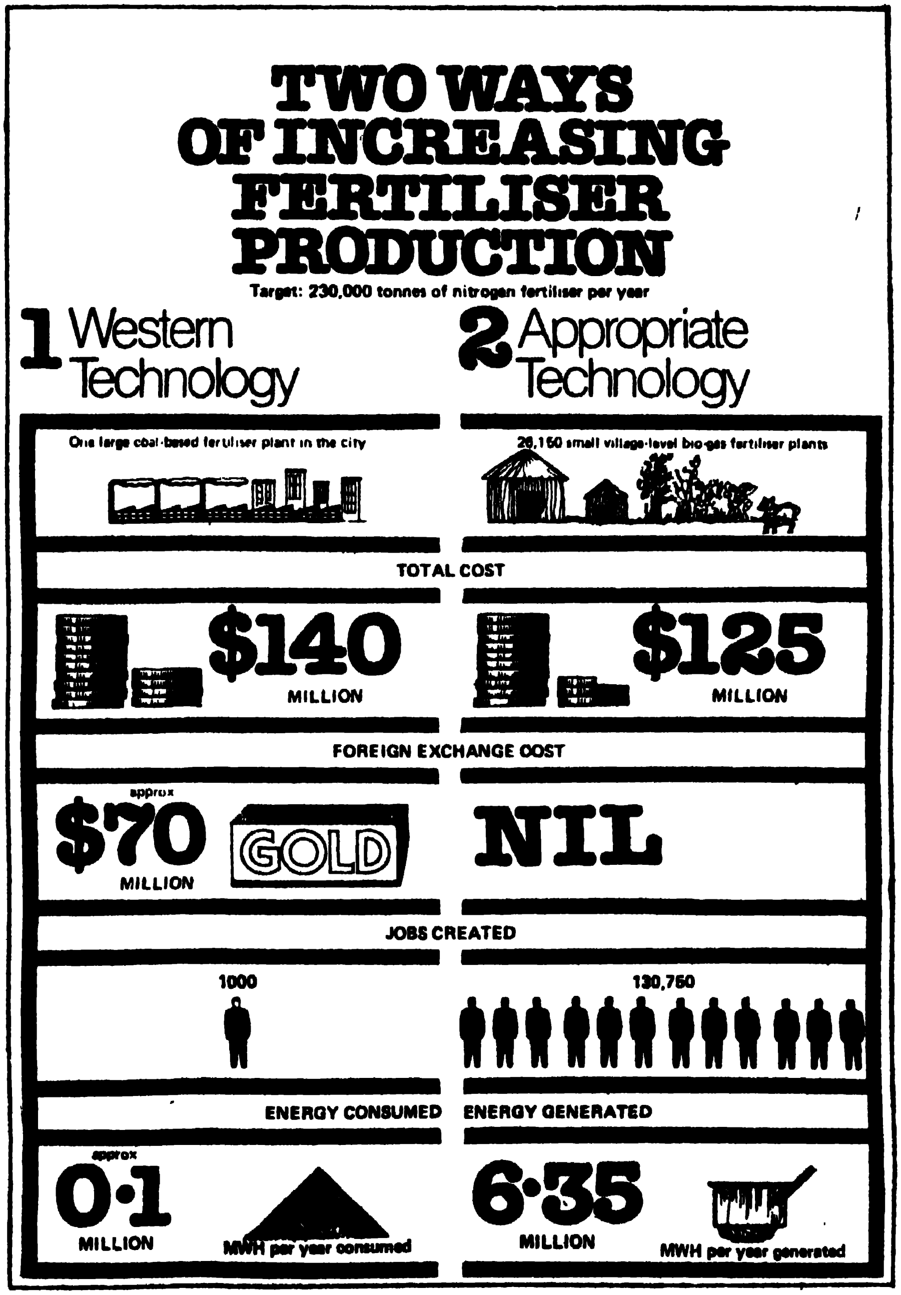
In terms of 'infrastructure', the choice of bio-gas produces the fertiliser where it is to be used, so avoiding the costs of packaging, marketing, advertising and transport and taking the strain of the already overloaded road and rail systems of the developing world. Not least, it frees the villager from dependence on the usually corrupt and inefficient systems for getting the fertiliser from the urban producer to the rural user.

In terms of the New Economic Order the choice of the small-scale village level technology reduces the developing country's dependence on the developed world because the technology of bio-gas plants can be indigenously evolved whereas the technology of large coal-based fertiliser plants usually has to be imported from the west.

The list of advantages does not end here. Self-reliance and meeting of basic needs are the very foundations of development and genuine progress. And it is in this respect that the decentralised village scale bio-gas choice really comes into its own. It can mean increased self-reliance in two fundamental needs—fertiliser for growing more food and energy for cooking it.

The output from each village bio-gas plant can provide two and a half times the nitrogen fertiliser now used on the 290 cultivated acres of the average Indian village. And this significant increase can be achieved by using the body waste from 500 human beings and 250 cattle. As 60 per cent of India's villages have a population of under 500 and as the ratio of people to cattle is roughly 2:1 this means that most of India's villages can more than double their fertiliser use from their own renewable resources. That alone could be a great stride forward in self-reliance.

But finally there is the crucial ques-



tion of energy needs. The city-based power station in the developing world rarely provides energy for the rural areas. The typical energy allocation of these centralised power stations is 80 per cent to urban industry, 10 per cent to urban homes and 10 per cent to rural areas. In India for example, only about 11 per cent of the villages with a population under 500 have electricity.

The energy starvation in the rural areas has profound effects on many aspects of development. If, for example, a rural family has to spend four to six hours per day bringing drinking water from a well or a stream, and another four to six hours a day collecting firewood for cooking fuel, and another four to six hours per day grazing the cattle, then the only way the family can manage this is by having a large number of children. Indeed, millions of poor families depend today on the 'energy contribution' of children for survival. So anything which will increase the available energy in a village will speed up development and eventually slow down population growth by making it less necessary to have large families.

energy needs

The choice of bio-gas technology for fertiliser production could provide that essential energy. A crude estimate of the energy needs in a village of 100 houses and 500 people is about 200 KWH per day for cooking; about the same for water pumping and small industry; and about 100 KWH for lighting. That is a total of roughly 500 KWH per day. The 5,000 cubic feet of bio-gas which is produced as a 'by-product' of making fertiliser out of animal and body wastes is the equal of about 660 KWH per day.

So this particular choice of technology has another crucial implication—the western coal-based feriliser technology implies *consuming* energy equivalent to the needs of about 550 villages, whereas the alternative bio-gas fertiliser technology helps in *producing* the enegy to help meet the needs of 26,150 villages and of the poor in those villages.

The problem of distributing bio-gas cooking fuel to individual houses can be transformed into an advantage by using plastic pipes which convey clean drinking water at certain times of the day and bio-gas at the peak cooking hours. A protected water supply system of this kind, in conjunction with latrines that feed human wastes in to the anaerobic digester of the bio-gas fertiliser plant, may prove to be a breakthrough not only in meeting energy needs but also in in providing low cost public health technology to eradicate the water-related diseases which are a major public health problem in almost all developing countries.

vital catalyst

Lastly, the creation, operation, maintenance and management of the bio-gas fertiliser plant by village people can be a vital catalyst in stimulating and sustaining social participation and people's control which are the surest guarantees of real development.

The example of bio-gas fertiliser production shows in capsule form why the choice of western technology for most developing countries wastes scarce capital, concentrates benefits in urban areas, restricts rural employment opportunities, accelerates the drift to the urban slums, squanders foreign exchange, puts the village at the mercy of the towns, increases dependence on the developed countries, undermines self-reliance and the meeting of basic needs, and defeats and distorts the developed process.

polluting environment

Whilst the prolific development of western technology has led to spectacular increases in production, it has also shown an inbuilt tendency to damage the environment, reduce participation in the decision making process, and magnify inequalities between and within countries.

Bp contrast, alternative technology such as the small-scale bio-gas plants is in harmony with the environment and with genuine development. It tends to reduce inequalities, to meet real needs instead of artificial demands, and to increase self-reliance and participation by people in the decisions which affect their lives. Without a commitment to new and alternative technology, there cannot be a real advance towards meaningful development, towards a new economic order and, indeed, towards a new world.

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World food security system

Arvind Bhandari

The food deficit of developing countries is estimated to rise to 100 million tonnes by 1985. How far will the surpluses of the developed countries be able to fill this gap? Mr Bhandari is of the view that the billion dollar fund which is proposed to be established under the auspices of the United Nations will barely touch the need of the developing countries.

THE ROME TALKS to establish a global food security system have ended in a dismal failure, showing, as in the case of UNCTAD—IV, the inability of the world's haves and have-nots to rise above their prejudices and mutual suspicions. The blame for the vital deliberations of the 30-member World Food Council (WFC) coming to a nought must be shared equally by the industrialised nations and the developing countries as represented by the Group of 77.

niggardly attitude

From the beginning, the rich nations were ill-disposed towards the idea of building up world food buffer stocks. They had been showing a niggardly attitude towards the idea ever since it was mooted at the World Food Conference in November 1974. When their reluctance to contribute to an internationally held world food reserve became all too apparent, Dr S. Aziz, Deputy Executive Director of the World Food Council, came out with the idea of a two-tier buffer stock system. It was proposed to reduce the quantum of the active internationally held buffer stock to such a low level—one million tonnes—that the individual contribution of the developed nations would become nominal. Simultaneously, it was proposed that a bigger buffer stock of, say, 50 to 60 million tonnes should be held by national governments themselves within their own countries.

It was stipulated that the internationally held one million tonne buffer stock would be used for short-term emergencies in poor countries, like the earthquake in Guatemala or a sudden crop failure. The bigger buffer stock could be used to release grain in the event of foodgrain prices in any part of the world rising above a certain level.

Since the two-tier system appeared to gain acceptance of the world's major grain producers such as the USA, Canada, Australia and Argentina as well as other surplus countries like France and West Germany, considerable optimism was generated hoping that the just-concluded World Food Council meeting would be successful in achieving agreement on the establishment of a world food security system. These hopes went awry.

rigid approach

The approach adopted at Rome was such that it spawned trouble. The proposal to build buffer stocks was made part of a comprehensive package of food aid commitments which the Group of 77 wanted to extract from the industrialised countries. One of these proposals was that the rich nations should promise up to 8000 million dollars a year in agriculture aid to the developing countries. The high-powered Indian delegation led by the Agriculture minister, Mr Jagjivan Ram, also pressed for acceptance of this proposal. The United States, Britain and West Germany put their foot down, and the entire package went by the board. After a 14-hour debate, the WFC referred the Third World resolutions "to the appropriate UN bodies and the governments of member states".

Increasing gap

It is undeniable that the increasing gap between the rich and the poor countries is causing much impatience and frustration in the Third World. Nevertheless, it is difficult to support the demand of the Group of 77 for a promise of agricultural aid from the rich nations to the tune of 8000 million dollars a year. The demand appears to be excessive when account is taken of the fact the WFC deliberations were immediately preceded by a United Nations Conference, attended by delegates from 80 countries and also held at Rome, which decided to establish the one billion dollar International Fund for Agricultural Development (IFAD).

In fact, the agreement to establish IFAD as a United Nations agency is the only concrete gain from the international gatherings at Rome. However, this gain cannot off-set the loss because of the failure to agree on a world food buffer stock system. The Fund, intended to give aid to developing countries for the promotion of their agriculture, is conceived as a long-term panacea. But with the food problem becoming increasingly pressing, some relief is felt to be necessary in the short-run, and this can only be provided under a global food security system based on buffer stocks.

The importance of IFAD should not, however, be minimised. In the long-run, there is no alternative to increased food production in the developing countries, whose food deficit is expected to touch 100 million tonnes by 1985. The surpluses of the United States and

Canada, and to some extent Australia and Argentina, cannot go on meeting the food deficits of these countries if they go on increasing progressively. In 1974 the developing countries imported 48 million tonnes of foodgrains. India also imported 5.5 million tonnes at a cost of $981 million.

Protagonists of the Fund also point out, pertinently, that it will, to some extent, enable channelisation of the resources of the world's haves into agricultural development, resources which might otherwise be frittered away in pursuit of ostentation and superfluity.

The one billion dollar IFAD can of course barely touch the fringe of the need to massively increase investment in agriculture in developing countries. The World Food Conference had estimated that agricultural investment in the developing countries will have to rise from 1.5 billion dollars in 1974 to five billion dollars in 1980. Since the Fund is intended mainly for promoting irrigation in poor countries, it was also estimated that the cost of irrigating 90 million hectares of land which could benefit from an assured water supply would be around 60 billion dollars.

Although a resolution to form an international fund for helping the developing countries had been adopted at the World Food Conference, its implementation had been hanging fire because of the insistence of the industrialised nations that the OPEC countries should contribute about one-half of the one billion dollars. Thanks to the understanding shown by the oil-rich countries, a compromise has now been possible at Rome. The OPEC countries will contribute 400 million dollars, industrialized nations 530 million dollars and 15 million dollars will come from token contributions by the Third World countries. This totals to $945 million. Pledges for the remaining $55 million are likely to be made by September 30, 1976 when the agreement will be formally signed.

It was thought good in principle that the recipient countries should also make token contributions. Of the 15 million dollars, India and Mexico have pledged five million dollars each. Contributions of one million dollars each came from Pakistan, Sri Lanka, Kenya and Guinea. Other countries have pledged smaller contributions.

The IFAD is conceived of as a development fund which will disburse grants and loans on highly concessional terms to increase food production. The three categories of countries—industrialised, OPEC members and the recipients countries—will share votes equally. Thus, two-thirds of the votes lie with the developing countries, who will have a major influence on the investment decisions of the Fund.

It is stipulated that disbursements from the Fund should be carried out through existing international and regional institutions such as the World Bank, FAO, Regional Development Banks and the United Nations Development Programme. This will ensure that the secretariat of IFAD is kept to a certain limited size.

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Interview : Dr N.B. Prasad

'Technology keeps advancing all the time'

The Oil and Natural Gas Commission (ONGC) is one of the few oil companies in the world engaged in every aspect of oil exploration, drilling and production. In this exclusive interview with S.P. Chopra, Acting Editor, *Eastern Economist*, Dr N.B. Prasad, chairman of the ONGC, has described the various steps being taken for attaining self-reliance in material inputs and in mastering the new technology. He is proud of his men who have done an outstanding job at Bombay High where commercial production of oil started just over two years after oil was struck.

Q. *What are the prospects for the indigenous output of crude oil during the current year? How much more is it likely to be in relation to last year?*

A. We produced 5.1 million tonnes of crude oil last year. It was around four million tonnes in 1973-74. For three years consecutively it was steady at four million tonnes. In 1974-75, it rose to 4.5 million tonnes. In 1975-76, it further increased to 5.1 million tonnes. This year our target is 6.3 million tonnes. Out of this, the contribution of Bombay High will be about one million tonnes.

Q. *The off-shore exploration seems to be getting all the attention currently. Have you got any long-term perspective on probable yield of crude oil from this source?*

A. Quite recently we have been discussing the revised five-year Plan with the Planning Commission. The current thinking is that the off-shore sources might yield 13 million tonnes as against 8 million tonnes from on-shore sources by 1981-82.

Q. *Have you done any thinking on probable consumption of crude oil by 1981-82?*

A. The estimates of probable consumption of crude oil by 1981-82 have a wide spectrum.

Q. *In order to achieve the target of production of 13 million tonnes of crude oil off-shore by 1981-82, what are the challenges in terms of men and materials which you are likely to face? What technical hurdles are to be overcome? What about finance?*

A. The challenges are many. Take the production of four million tonnes of crude oil in 1974 as against the target of 21 million tonnes in 1981-82. It means a five-fold increase in production in eight years; this in itself is a challenge. It means that the annual growth rate has to be significantly high. This order of increase in production—500 per cent in eight years—can be a big challenge for any organisation. This is indeed a very ambitious target which naturally requires massive inputs of a large variety covering materials, equipment and manpower, the most important element being sophisticated technology. Do not forget that we have undertaken off-shore activities only in the last two years. Prior to that we had been operating entirely on-shore. Currently, the whole new technology of off-shore exploration is being mastered. In fact, we have already mastered a fair share of the new technology associated with off-shore exploration. We are planning to produce a million tonnes of crude oil from off-shore sources this year. So the rate of assimilation of new knowledge has of necessity to be very fast. It has indeed been very fast. If the same tempo can be kept up, the target that we have fixed becomes feasible.

Q. *It means that in order to attain the target which you have fixed for 1981-82 you have no option but to maintain the current tempo of operation. May be, you will have to import some technology. Do you have the wherewithal for that?*

A. We are not importing technology. There is transfer of technology which has to take place fast and we are trying it in two or three different ways.

First, we have started an in-house training school wherein we take in fresh engineerieg graduates in geosciences and also in other branches of sciences, put them through a one-year multi-disciplinary training course and after this, they specialise in their chosen fields. During 1976, for example, we will be training nearly 300 graduate engineers and scientists. And over the next five years we estimate that at least 1500 students would pass through this school. These 1500 students are to be compared with a total strength of 1300 we had in

1974. We are really doubling the availability of technical manpower within the ONGC. Second, we are strengthening the Institute of Petroleum Exploration (IPE). We have merged the erstwhile Directorates of Geology and Geophysics so that the Institute is a much stronger group than it ever has been. And we are funding IPE very substantially now. We have divided its programme into some 50 research projects which we hope to complete in the next two or three years. And we have added a very large Computer Centre in Dehra Dun with an IBM 370-145 and this enhances our capabilities substantially. This computer can do multi-programming. For example, it can do simultaneously some eight kilometres of *seismic* data processing and also do mathematical modelling required for reservoir engineering. The earlier computers we had were capable of processing data at the rate of one kilometre per hour. So we have enhanced our computer capabilities. We have inducted a lot of new blood into our computer programmes.

Then we are setting up two institutes —one for reservoir engineering and the other for drilling technology. Thus, these three institutes plus the powerful computer will provide us the technological base for a very ambitious programme.

Then we are also sending a lot of people abroad for short-duration training in various fields. And wherever we identify a technical gap, we are arranging for services from foreign companies but at the same time ensuring that we have under-studies so that our boys are able to take over the jobs in the shortest possible time.

Q. *Are you hiring these technical hands from abroad?*

A. Yes. For example, when Sagar Samrat came in 1973, we started operating it with the assistance of 28 foreign technicians. Now their numbers has been cut down to two. This I am citing only by way of example. The same process is being repeated in other areas also. Today we are dependent entirely on foreigners for our diving which is an important component of our offshore work. Again, in the next two or three years a good number of them can be replaced by Indian divers trained on the job. We are now taking the steps, so that we are able to master this technology also. Given the rate of assimilation of new technology, we are hopeful that it can be done in good time.

Q. *You have just mentioned 50 projects. What type of projects are they?*

A. They are mainly research and development projects—off-shore and on-shore. Some are in the area of geology where better tools can be used for geological date interpretation. Similarly with *seismic* data acquisition, data processing and data interpretation, and drilling, for example. These are the main areas of oil exploration.

Q. *It seems that currently the ONGC has put spotlight on off-shore exploration. What about a long-term programme for drilling on-shore?*

A. The targets — long-term and short-term — are based on discoveries already made. It is not that we have preferred one or the other. From discoveries already made, we know that by 1981-82, we can take off-shore production of crude oil to 13 million tonnes and that of on-shore output to eight million tonnes. It does not mean that we are slackening on on-shore exploration.

In fact we are intensifying our efforts on-shore also. You must have come across Press Notes recently which state that the ONGC is going back to Jammu, Himachal Pradesh and Uttar Pradesh and we have already gone back to West Bengal to intensify on-shore activities.

Q. *What has been the basis on which you decided to go back to areas which were earlier thought to be non-productive for crude oil?*

A. The areas I have just mentioned are the more promising areas of the sedimentary basins on-shore which are held prospective from a broad geological assessment. But in these areas, earlier exploration work was unsuccessful. So we have conducted a review of the past operations. We are now drawing up a strategy which should permit us, with better technological inputs, to make an improved assessment of the prospect.

Q. *What was wrong with the assessments in the past?*

A. Let us not forget that technology keeps advancing all the time. We have now better *seismic* tools. We can use more sophisticated tools. Similarly, we have better rigs now which go much deeper. We can handle higher pressures. With these technological improvements, a breakthrough might be possible in any one of these areas.

Q. *Even in states such as West Bengal and Uttar Pradesh where we drew a blank in the past?*

A. Please remember that it has not been conclusively proved that there is no oil in these states or that these states are not hydro-carbon bearing. The programme conducted in the past was no doubt unsuccessful. But the non-existence of hydro-carbons in these areas has not been proved conclusively.

Q. *What are the financial dimensions of the work which you are undertaking?*

A. The financial requirements have multiplied manifold. The budget for 1973-74, for example, was Rs 80 crores only. The approved budget for the current year is Rs 345 crores while we are asking for an additional Rs 95 crores. So you see that the budget now is almost five times of what it was two years ago. I think we will be able to stabilise at this level of expenditure for the next two or three years consistent with the targets we have set out. If there are additional discoveries, the budget has to be larger.

Q. *What about the joint operations of the ONGC with some of the foreign countries such as Iran and Iraq. What progress has been made there? What is the rate of progress?*

Iran is an on-going operation started six to seven years ago. And there production is now 0.6 to 0.7 million tonnes a year as our share which is one-sixth of the total production. In Iraq we have a service contract which calls for exploration of about an area of 5,000 square kilometres, about 100 miles west of Basra in the desert. And there also, I think, our men have met a great challenge in that they are working in a trackless desert; habitation is 100 miles from the exploration zone where work is going on in 12-hour shifts. The men come back to Basra for short periods of rest. It is a hostile environment in which our men have learnt to work. There the first well is nearing completion. We hope to test and assess the structure very shortly. In addition, we have also taken up a *seismic* contract in Iraq — covering about 1500 to 2000 line kilometres at a cost of three to four million dollars. This has started from the first of June this year. We have also taken up a drilling contract in Tanzania; it was signed sometime in January this year. The rig is now in position and in a week or two the well will be spud—this is a well on an island about 100 miles west of Dar-as-salam.

Q. *Any other country where you are likely to have a contract in the near future?*

A. Not immediately but we are keeping our options open. We are on the look out for possibilities abroad.

Q. *How does the technical competence of our men compare with those of the advanced countries?*

A. I think it compares very well in the sense that Bombay High has been put on stream exactly 27 months from the date of discovery, and. twenty four months from the testing of the first well. I think this compares favourably with off-shore development anywhere else in the world. Given our water depths, environmental conditions, wind and wave conditions, a remarkable job has been done. So the greatest asset of the ONGC today is its manpower which has proved itself.

Q. *As chairman of this fast-expanding undertaking, can you point to any single aspect which is the biggest challenge today? You have a number of challenges to face, I presume, but which is the one commanding your greatest attention currently?*

A. The biggest challenge which any chief executive has in any organisation is how to motivate his people to achieve more than what they can normally achieve because our targets are very ambitious. So we need a highly motivated group. And that is exactly what we are developing.

Q. *Does it mean that the chief executive has to be more of a psychologist than a manager?*

A. I have not said that. What I said is that motivation is one of the factors which enables an organisation to succeed. And more so in an organisation like this. It is unlike a manufacturing unit where operations are mostly controlled by machines. Here operations are not controlled by machines — not determined by machines but by human capabilities. So this is the big difference between other public sector undertakings and the ONGC.

RECORDS AND STATISTICS

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TRADE WINDS

Indo-French Cooperation

THE INDO-French ministerial talks on furthering trade and economic cooperation ended recently on a promising note with both sides agreeing to take concrete steps to promote greater industrial and technical cooperation between the two countries. The Commerce minister, Mr D. P. Chattopadhyaya and French External Trade minister, Mr Raymond Barre, described the talks as productive and envisaged increased and friuitful cooperation in trade and economic fields.

Joint Ventures

The French side has agreed to send a high-powered industrial mission to India later this year to assess Indian capabilities in various sectors. Mr Barre especially noted the potential of joint ventures in third countries, indicating that India could get subcontracts in the execution of joint ventures. Mr Chattopadhyaya pointed out that discussions also covered multilateral matters such as UNCTAD problems and north-south dialogue in Paris on commodities. He found French views on many of these matters constructive and appreciative of the problems of developing countries. The joint committee on economic and technical cooperation decided to set up expert groups to look into specific areas of trade and technical cooperation including joint ventures in third countries and in India.

Indo-American Collaboration

The Indo-American Chamber of Commerce business delegation which visited the US in December last year has called for a policy announcement regarding areas where this country would welcome foreign, financial and technical collaborations. It has also urged the streamlining of procedures for the supply of raw materials and finance for exporting units in order to meet the time schedules of American businessmen.

In a report released recently it has advised that visits of trade delegations on a reciprocal basis be repeated periodically and productwise missions be sent to follow up the contacts initiated by the delegation. Senior officials of America's large corporations, particularly those engaged in construction projects, should be invited to the country and shown around important industrial projects.

It has recommended that a high-powered committee should go into the question of launching a publicity programme of India's achievements in the iudustrial field abroad. It has suggested that Air India be asked to show films on Indian industry during flights and that Indian missions abroad be requested to arrange for such film shows. Publicity through major papers in the US has also been recommended.

Import of Edible Oils

The State Trading Corporation (STC) is to arrange for further imports of edible oils on a priority basis in order to meet the increased demand from the vanaspati industry. The government has made it clear to the STC that allocation of foreign exchange will pose no problem in augmenting stocks of imported oils. The directive to the STC is a sequel to the government's decision raising further the compulsory usage of imported oils in the manufacture of vanaspati to 50 per cent from the middle of this month. Only a few days ago, the percentage was increased to 20 per cent from 10 per cent.

Seepz Exports

Exports from the Santa Cruz Electronics Export Processing Zone, Bombay (SEEPZ) crossed the first crore of rupees with M/s Semiconductor Electronics Limited making their maiden consignment of rupees 1.30 lakhs worth of printed circuit board assemblies. With the worldwide recession in electronics industry abating, SEEPZ of late is picking up. In fact, its performance during the last three months has been spectacular in that it could turn out almost the same quantum of exports as it could in the whole of the previous year. It may be recalled that during the year 1974-75, exports from the SEEPZ was of the order of only Rs 5 lakhs while in 1975-76 the figure was Rs 56 lakhs—a little over its target of Rs 50 lakhs and 11 times its previous year's export. Between April and June, 1976, it made tremendous strides and has exported more than Rs 40 lakhs of electronic items against current year's target of Rs 5 crores.

New Companies

During the last few months a few new companies with new lines of manufacture have come up in the zone. Notable among these is the remote control X-ray equipment of CGR (India) Limited, the operations of which were inaugurated by the Commerce minister in May, 1976. The latest entrant in production is Semiconductor Electronics Limited, for the manufacture of solid state relays and rectifiers for communication systems in collaboration with the International Rectifiers Corporation of USA.

Telecom Ties

This country will do her best to remove the hangover of the colonial past in the field of telecommunications among her neighbours. This was stated by Dr S. D. Sharma, minister for Communications, when Mr Jog Meher Shrestha, minister for Communications in Nepal called on him recently. Assuring Nepal of India's fullest cooperation for developing not only telecom links but in establishing telecom industries, Dr Sharma said the second Earth Station coming up at Dehra Dun will soon open a new window to the world for Nepal. Meanwhile, the terrestrial links with India are being strengthened. He hoped that it would soon be possible to have semi-automatic telephone links between Delhi and Kathmandu and Calcutta and Kathmandu.

Indo-Nepal Talks on Trade and Transit

The agreed record of the discussions regarding Indo-Nepal Trade and Transit Treaty was signed recently by Dr P. C. Alexander, Foreign Trade Secretary, government of India, and Mr Devendra Raj Upadhya, Secretary, Commerce and Industry, His Majesty's Government of Nepal, on behalf of their respective governments. It was decided that talks would be continued in Kathmandu, at a mutually convenient time. Talks were held between Napalese and Indian delegations from June 22 to July 3, to discuss the Indo-Napal Trade and Transit Treaty of 1971 which expires on August 13, 1976. During the discussions both sides put forward the difficulties they had faced, in the last five years, in the implementation aspect of the treaty, in relation to trade as well as transit.

The treaty aims at the expansion and diversification of trade, in goods and products originating in territories of the two countries. In addition it allows Nepal access to third country markets, through transit points and warehousing, handling and port facilities in India, and conversely allows imports from third countries to the Nepalese market through the Calcutta port and specified railway routes and entry points. The treaty provides for the most favoured nation treatment for goods originating in either country. In addition it provides for preferential treatment to goods originating in Napal, on a non-reciprocal basis.

Earnings from Meat

While Indian supplies of fresh, chilled and frozen meat earned Rs 5 crores in 1974-75, the exports even during the first three quarters of 1975-76 were close to Rs 5.9 crores. Meat of sheep and goat, which netted Rs 1.15 crores in the first three quarters of 1975-76 as compared to Rs 1.05 crores in the entire preceding year, was supplied more to the principal foreign customers, viz. Dubai, Abu Dhabi, Bahrein Islands and Muscat. Over 981 tonnes of this product was supplied abroad in 1974-75 while in the period under review during 1975-76 the quantum exported was 929 tonnes. Frozen frog meat is a typical delicacy from India, which has been appreciated in the USA for long and now in France and other European markets. In 1974-75 this supply fetched Rs 1.5 crores—Rs 1.2 crores from USA alone — but during 1975-76 US purchases totalled Rs 96 lakhs while France imported worth Rs 1.12 crores. Belgium, the Netherlands, Denmark and Italy are among the other European buyers of the frog meat.

Opium Exports

This country has been a significant supplier of crude opium to most of the industrialised countries of the world. The export was about 760 tonnes in 1974-75 at a foreign exchange value of Rs 1.75 crores. During the subsequent year, the unit value improved and a quantity of about 490 tonnes fetched Rs 17.9 crores during the first three quarters of 1975-76. USA has been the leading customer for Indian opium. The OS imported 189 tonnes at about Rs 4.5 crores in 1974-75 and 160 tonnes at Rs 6.54 crores in the first three quarters of 1975-76. The UK bought 151 tonnes at Rs 3.7 crores and 101 tonnes at Rs 3.6 crores in the respective periods, while the Soviet purchases amounted to 37.5 tonnes at Rs 7.8 crores and 60 tonnes at Rs 20.5 crores in these periods. Imports by France have also been substantial. It bought opium worth Rs 1.64 crores in 1974-75 and Rs 2.0 crores in the period reviewed in the subsequent year. Similarly, imports by Italy rose from Rs 75 lakhs to Rs 1.07 crores. Among the other customers of Indian opium are Belgium, Bulgaria, German Federal Republic, Sudan, Switzerland and Yugoslavia. India also exports a wide range of other materials of vegetable origin, such as guar flour, palmyra leaf stalks, palm fibre, raw kapok etc.

Advances Against Cotton & Kapas

In view of the sharp rise in the prices of raw cotton witnessed recently reflecting an imbalance in the market, the Reserve Bank has tightened the selective credit controls relating to advances against cotton and kapas, bearing in mind the action taken by the Textile Commissioner regarding the maximum stocks that can be held by mills. Inventory levels in respect of which bank advances may be given with normal margins have been substantially reduced and in respect of additional stocks, the margins have been stepped up. Thus, in the case of mills in Bombay and Ahmedabad, as against the existing margins of 25 per cent for stocks of 12 weeks' consumption and 50 per cent for excess stocks, the margins have now been fixed at 20 per cent for stocks of four weeks' consumption and 45 per cent for excess stocks. Similar changes have been made in respect of other areas also as indicated below. In the case of parties other than mills, margins have been raised from 25 per cent to 45 per cent in respect of new and/or long staple cotton, from 50 per cent to 60 per cent in respect of indigenous cotton and from 40 per cent to 50 per cent for stocks covered by warehouse receipts.

Advances against cotton and kapas to industrial users such as manufacturers of surgical cotton have been exempted. Advances to mills in West Bengal run by the National Textile Corporation or by its authorised agencies against stocks equivalent to 8 weeks' (as against 14 weeks earlier) consumption have also been exempted.

IDBI Rediscounting Scheme

At present the maximum amount for rediscounting of bills or promissory notes under the scheme pertaining to a single purchaser is Rs 50 lakhs over a limit year which is reckoned from October 1 to September 30, of the following year. The question of enhancement of the said limit has been under consideration of the IDBI for some time. It has now been decided to raise this limit to Rs 75 lakhs (face value of bills) over a year with effect from July 1, 1976. The above limit of Rs 75 lakhs is subject to the sellers having the necessary discounting limits under the scheme with their bankers in the normal course. It has been further decided that henceforth projects for setting up new units (other than small-scale industrial units) will not be eligible for assistance under the scheme. Projects to which the IDBI has already agreed to render assistance under the scheme or projects whose financing pattern has already been approved by the IDBI as also small-scale industrial units will however be eligible for finance under the scheme.

Last year, IDBI sanctioned rediscounting limits in favour of approved banks for the period ending June 30, 1976. Consequent upon the change of limit year to July-June it has been decided to change the present purchaser-wise limit year also, from October-September to July-June with effect from July

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1, 1976. In view of the increase in overall limit per purchaser the utilised limit, if any, in respect of a purchaser for the puchaser-wise limit year ending September 30, 1976, will have lapsed on June 30, 1976. The purchaser may however, avail of the fresh limit of Rs 75 lakhs (face value of bills) from July 1, 1976.

Sugar Output

According to the Indian Sugar Mills Association the sugar production in the month of May, 1976, the eighth month of the season 1975-76 was about 96,000 tonnes as against 243,000 tonnes during the corresponding period last season. This brings the total production during the first eight months of the 1975-76 to about 4,221,000 tonnes as against 4,697,000 tonnes during the corresponding period last year. The off-take of sugar from factories during the month of May, 1976, was about 277,000 tonnes for internal consumption and 71,000 tonnes for exports as against about 265,000 tonnes for internal consumption and 39,000 tonnes for exports in the corresponding period last season. The total despatches in the first eight months in 1975-76 was 2,387,000 tonnes for internal consumption and 854,000 tonnes for export as against 2,157,000 tonnes for internal consumption and 563,000 tonnes for exports during the corresponding period last season. The total closing stock of sugar with the factories as on May 31, 1976, was about 2,187,000 tonnes as against 2,805,000 tonnes on the same date last season.

World Bank Aid for Telecom

This country will receive a US $80 million loan from the World Bank to help finance expansion of its telecommunications system. The project is expected to alleviate congestion in city and long-distance telephone networks, improve telex services and bring new telephone service to 220,000 subscribers. The project will include the installation of 274,000 local telephone lines and the connection of about 220,000 direct exchange lines. A small satellite earth station will be built to provide good quality communication between the Andaman Islands and the Indian mainland. The project includes electronic telex exchanges for Bombay, New Delhi, Calcutta and Madras.

Forty per cent of the new direct exchange lines will be provided in the major cities to meet priority needs and to provide essential improvements to service. The remainder will be allocated through the rest of India. About 200 small communities will receive new telephone exchanges and 1,200 public call offices will be established to extend telephone service to more villages.

Grant for Research on Semi-Arid Tropics

Technical assistance, amounting to $325,000, approved by the Asian Development Bank for the International Crops Research Institute for the Semi-Arid Tropics (ICRISAT) Hyderabad, aims at benefitting some of the world's poorest farmers. The technical assistance by the bank will support new research by ICRISAT, established four years ago with international backing in Hyderabad, into the development of improved animal-drawn farm equipment and implements. The bank's aid will be used for the establishment and initial working of the ICRISAT research project after which it will be financed from the Institute's core budget. The semi-arid tropies of Asia refer to parts of India, Burma, Pakistan and Thailand having a combined population of 300 million. These areas have small fragmented farm holdings.

Dry Farming

Efforts to reduce the high risk of farming in these areas and increase productivity are among the most important tasks facing ICRISAT, which was set up in 1972 by the Consultative Group on International Agricultural Research (CGIAR), of which the bank is a member. The main thrust of the institute's research activities is directed towards evolving suitable dry farming techniques and the selection, improvement and utilization of crops that can be grown with restricted water supplies. The major objectives of ICRISAT include: Serving as a world centre for improving the yield and nutritional quality of sorghum, pearl millet, pigeon pea, chick pea and ground-nut; developing farming systems aimed at increasing and stabilizing agricultural production through better use of natural and human resources; and identifying socio-economic and other constraints to agricultural development in semi-arid regions, and ways of easing them through technological and institutional changes. The institute also assists national and regional research programmes. It has set up close working relationships with organizations in India as well as cooperative programmes with organizations in Sri Lanka, Thailand, the Philippines and Bangladesh. Similar cooperation is proposed for Pakistan.

Names in the News

Mr J.S. Negi, Chief Executive, Research & Development Centre of Jyoti Limited, Baroda was sponsored by the All India Management Association to attend the "International Seminar on Management of Research and Development." The seminar, organised by the Centre for Education in International Management, Geneva, Switzerland, was held from June 28, 1976 to July 9, 1976.

Mr J.S. Negi

COMPANY AFFAIRS

British India Corporation

AT THE 56th annual general meeting of the British India Corporation Limited for the year 1975 the chairman, Mr P.N. Mathur, outlined the steps which were being taken to replace the old and obsolete machinery and to modernise the plant. With the support of financial institutions this programme is proposed to be executed in two stages. The first stage will be completed by the middle of 1978 and the second by the middle of 1979. The chairman is confident that after the completion of the modernisation programme the corporation will be able to reduce the cost of production and to produce high quality products having a better margin of profit.

Plea for Incentive

Mr Mathur put in a strong plea for the eligibility of the woollen textile industry for the investment allowance which is denied to it even though the cotton and jute industries are allowed this incentive. He felt that there was no reason for according such unfair treatment to the woollen textile industry. In no respect was this industry inferior to the jute industry or the cotton textile industry.

The corporation has decided to collaborate with the UP Export Corporation Ltd through a joint sector project for the manufacture and for the dyeing of carpet yarn at Bhadhoi. Besides being economically viable it will serve the handloom weavers who will be able to obtain carpet yarn on reasonable terms at their doorstep.

Karnataka State Financial Corp.

The resource position of the Karnataka State Financial Corporation was comparatively easier during the year-ended March 31, 1976, according to the chairman, Mr M.K. Ramachandra. The corporation issued share capital worth Rs 75 lakhs including the special capital of Rs 25 lakhs making a total paid-up share capital of Rs 250 lakhs as on March 31, 1976. The amounts sanctioned and disbursed during the year were Rs 9.68 crores and Rs 7.18 crores respectively. With the prior approval of the Reserve Bank the corporation floated bonds worth Rs 220 lakhs during the year under review.

The net profit of the corporation increased to Rs 57.08 lakhes from Rs 51.57 lakhs in the previous year. The corporation continued with its policy of giving special encouragement and assistance to the small-scale sector. Out of a total of 242 applications sanctioned during the year, 201 (83.06 per cent) were from entrepreneurs in the small-scale sector. Loans sanctioned to the small-scale sector amounted to Rs 488.82 lakhs.

An important activity of the corporation during the year was its initiation of industrial potential surveys of various districts of the state. The corporation also participated in industrial seminars aimed at encouraging entrepreneurs to establish units in backward areas. The financial assistance sanctioned for industries in backward areas registered an increase of 24.86 per cent in the year under reference as against 13.25 per cent in the previous year.

Jaya Shree Textiles

Despite the abnormal conditions prevailing in the textile industry, the sales of Jaya Shree Textiles and Industries Ltd, increased to Rs 16.32 crores in the year-ended December 31, 1975 from Rs 15.77 crores in the preceding year. However, working profit declined from Rs 61.53 lakhs to Rs 32.45 lakhs. The directors have skipped the payment of dividends to the shareholders both on equity and preference shares.

The highlight of the year under review was the achievement of a record turnover of Rs 1.33 crores in exports by the company as against exports of the value of Rs 8.45 lakhs in the preceding year. The export of insulators accounted for about 65 per cent of the total insulator exports of this country.

The scheme of amalgamation of this company with the Indian Rayon Corporation Ltd has been approved by the shareholders of both the companies. This amalgamation, according to the directors, will provide adequate resources for the working capital as well as for expansion and would lead to better utilisation of present capacities.

NOCIL

The National Organic Chemical Industries Ltd, recorded sales of Rs 58.23 crores for the year-ended December 31, 1975 as against sales worth Rs 55.05 crores in the preceding year. The net profit of the company dropped from Rs 10.44 crores to Rs 4.39 crores this year.

The directors of the company have recommended a dividend of 12 per cent on equity share absorbing Rs 1.44 crores. This dividend is exempt from the income tax under Section 80K of the Income-Tax Act 1961. The directors have also recommended issue of bonus shares in the ratio of one bonus share for every two equity shares held by the shareholders.

The company, during the year under review, repaid foreign currency loans amounting to Rs 2.51 crores to Shell Petroleum Company Ltd, ICICI and rupee loans amounting to Rs 1.26 crores to IDBI, ICICI, IFC and LIC.

The company exported approximately 775 tonnes of PVC resins and 2 ethyl hexanol at international prices against release orders of the ministry of Commerce. Besides, the company made direct exports to west Asia to the tune of Rs 6 crores. But for the government restrictions, the company could have achieved a higher export turnover.

Mahindra Ugine

At the thirteenth annual general meeting of Mahindra Ugine Steel Company Ltd, for the year ended December 31, 1975, Mr Harish Mahindra, the chairman, welcomed the marger of Bank of Baroda with the company. The consequent increase in deposits to the tune of Rs 8.15 crores has been earmarked for the expansion projects of the company. Meanwhile satisfactory progress was maintained by the company in expanding its capacity of finished tool, alloy and special steels from 24,000 tonnes per annum to 60,000 tonnes per annum. The expansion project is scheduled to be completed by the end of 1977.

The cost of power is an important input in the electric arc furnace industry and it varies from state to state. Mr Mahindra reiterated his plea for restructuring the power tariffs for electro-metallurgical industry in the state of Maharashtra with a view to bringing down the unit cost.

Mr Mohindra complimented the government for taking a sympathetic view of the inherent cost-handicap of the electric furnace process by reducing the effective rate of excise duty from Rs 200 to Rs 50 per tonne. He further pleaded for the elimination of the whole of the balance of the excise duty of Rs 180 on electric furnace products, as they are made out of steel scrap which in its prime condition has already

NATION REGAINS
SPIRIT OF ADVENTURE 1975-76

New Deal
For Youth

Essential articles at controlled prices reach 10,490 hostels benefiting over 956,000 students

Supply of white printing paper at concessional rates brings down prices of textbooks and exercise books 88,600 book-banks functioning in colleges and schools.

103 trades and 216 industries now under apprenticeship schemes.

18,800 seats added, bringing total to over 133,900 under apprenticeship schemes; 128,900 have been utilised, with 28,000 (over 20 per cent) going to Scheduled Castes, Scheduled Tribes and other backward classes.

borne full share of excise burden.

The creation of a separate cell for the mini-steel plants in the ministry of Iron and Steel, according to Mr Mahindra, was a constructive step. This cell would enable the government to devote special attention to the problems of these units.

Rajasthan Financial Corporation

Rajasthan Financial Corporation has been able to make significant progress during the year 1975-76. The gross income and net profit rose to Rs 148.75 lakhs and Rs 58.89 lakhs respectively showing an increase of 33.36 per cent and 40 per cent over the corresponding figures of the previous year.

Loans aggregating Rs 800.47 lakhs were sanctioned in 1975-76 against Rs 705.89 lakhs sanctioned during the previous year recording an increase of 13.40 per cent. There was a substantial increase in disbursements which rose from Rs 283.35 lakhs in 1974-75 to Rs 386.73 lakhs in 1975-76 marking an increase of 36.48 per cent. The gap between sanctions and disbursements has thus been reduced to a large extent.

Out of 289 industrial units, financed by the corporation in 1975-76, 267 were small-scale units comprising 92.4 per cent of the total units assisted in the year. Since its inception the corporation has assisted 1788 small-scale units which constitute 90 per cent of the total industrial units financed by it.

The large backlog of 303 loan applications for Rs 13.34 crores as on April 1, 1975 has been reduced to 133 applications for Rs 5.43 crores. Efforts are continuing to clear these at an early date. Assistance sanctioned to units in backward districts of the state during 1975-76 aggregated Rs 445.22 lakhs to 109 units as against Rs 322.05 lakhs to 80 units in the previous year. Thus out of the total loan sanctioned in 1975-76 more than 63 per cent has gone to the units being set up in industrially backward districts of the state.

The corporation sanctioned six loans aggregating Rs 138.34 lakhs in 1975-76 as against four loans amounting to Rs 39.24 lakhs sanctioned during the previous year. The corporation has so far sanctioned Rs 1.93 crores to 12 industrial units under IDA Line of Credit including foreign exchange component of Rs 78.71 lakhs.

Unit Trust

The Unit Trust of India has declared a higher dividend of 8.75 per cent for the year ended June 30, 1976 as against 8.60 per cent paid for the previous year. The trust has also announced a maiden dividend of three per cent per annum on capital units introduced in January 1976.

The sales of units under the 1964 scheme amounted to Rs 20.7 crores during 1975-76 as against Rs 16.7 crores in the previous year. Its repurchases which touched a high of Rs 20.4 crores in 1974-75 declined to Rs 10.9 crores in 1975-76. The trust's sales to non-residents increased to Rs 32 lakhs in 1975-76 as against Rs 17.33 lakhs in the previous year. Also the trust sanctioned financial assistance of Rs 5.60 crores to 39 companies as against Rs 4.80 crores in the previous year.

News and Notes

Ballarpur Industries Ltd propose to acquire about 20 per cent holding of the Borosil Glass Works, a company producing heat resistant glass tubings and rods and scientific apparatus in technical collaboration with Corning Glass Works, New York, USA.

Ballarpur Industries will be acquiring 2,81,063 equity share of Rs 10 each of Borosil Glass from its technical collaborators (Corning Glass Works) which holds about 49 per cent equity shares in this company. With the sale of this block of shares, the holdings of Corning Glass will be reduced to about 29 per cent.

Kothari (Madras) is shortly issuing rights shares, at par, on two-for-three basis worth Rs 1.48 crores. It also proposes to make a public issue of Rs 1.30 crores. The additional capital of Rs 2.78 crores will be utilised by the company for its expansion and diversification programmes.

The **Tata Locomotive and Engineering Co Ltd (Telco)** has reported higher production of 6069 commercial vehicles during April-June 1976 as against 5628 units in the corresponding period last year. The company hopes to maintain this trend and achieve production of 28,000 in 1976-77 as against 26,000 during the last year. The anticipated additional production of 2000 units would qualify the company for an excise rebate, which will be to the tune of Rs 46 lakhs.

A public limited compaay with an authorised capital of Rs 50 lakhs and 32 private limited companies with a total authorised capital of Rs 1.30 crores were incorporated in the union territory of Delhi during May this year.

Two public limited companies with a total authorised capital of Rs 35 lakhs and two private limited companies with a total authorised capital of Rs 51 lakhs were incorporated in Haryana during the same month.

Capital & Bonus Issues

Consent has been granted to seven companies to raise capital according to the Controller of Capital Issues.

J. Thomas and Co Private limited, Calcutta, has been accorded consent, valid for three months, to capitalise Rs 1.2 million out of its general reserve and issue fully paid preferred ordinary shares of Rs 10 each, founder's shares of Rs 100 each, ordinary shares of Rs 100 each, and deferred shares of Rs 100 each as bonus shares in the ratio of one bonus share for each such share held.

Eskay Electronics (India) Pvt Ltd, New Delhi, has been accorded consent, valid for three months, to capitalise Rs 151,800 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of two bonus shares for every five equity held.

EID Parry (India) Ltd, Madras, a public limited company registered in the state of Tamil Nadu (Madras) has been granted consent, valid for 12 months to issue equity shares worth Rs 62,821,060, preference shares worth Rs 4 million to the shareholders of EID Parry (India) Ltd, and secured debentures of the value of Rs 6,936,918 in terms of and in accordance with the scheme of amalgamation sanctioned by the High Court of Madras and the High Court of Justice, England.

Madhya Pradesh Audyogic Vikas Nigam Ltd, Bhopal, has been accorded consent, valid for 12 months, to issue debenture bonds of Rs 10 million with the option to retain 10 per cent of the notified amount in the event of over-subscription for cash to the public by a prospectus at Rs 988.50 for a bond of Rs 1,000 each. The bond will pay interest at 6.25 per cent per annum and will be redeemed after 10 years from the date of their issue.

Atul Drug House Limited, Bulsar (Gujarat), a public limited company registered in the state of Gujarat and having a paid up equity capital of Rs 2.2 million, has been granted consent to issue securities worth Rs 15.2 million (bonus shares worth Rs 6.6 million and further cash issue of equity shares worth Rs 9.2 million, valid for three months, and 12 months, respectively.

IDL Chemical Limited, Hyderabad, has been accorded consent, valid for three months, to capitalise Rs 15,716,750 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for each equity share held.

Garware Plastics Pvt Ltd, Bombay, has been accorded consent, valid for three months, to capitalise rupees one million out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for every two shares held.

Dividend

(per cent)

Name of the company	Year	Equity dividend declared for Current year	 Previous Year
Higher Dividend			
S.L.M. Manecklal	March 76	16	12.5
Bombay Oxygen	Dec. 75	12	8
Same Dividend			
Tube Investment	Dec. 75	10	10
A.V. Thomas	Dec. 75	12	12
Lower Divident			
Travancore Cemend	Dec. 75	Nil	10
Velimalai Rubber	Feb. 76	10	12

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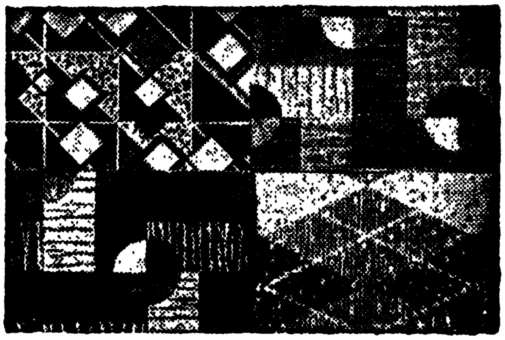

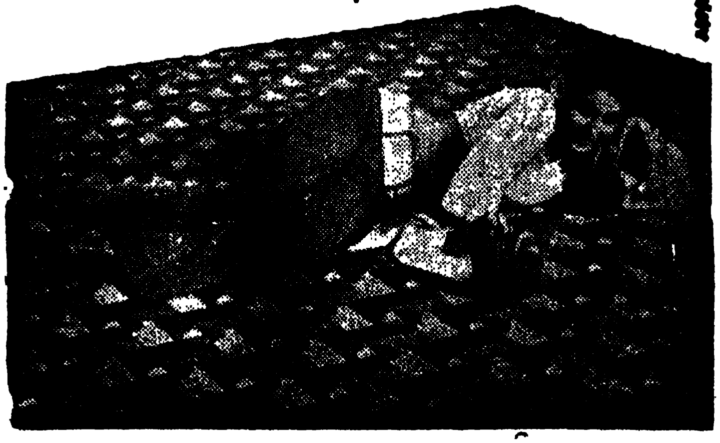

COMPANY MEETING

The Tata Iron and Steel Company Ltd.

Chairman's Statement

The following is the statement of Mr. J.R.D. Tata, Chairman of the Tata Iron & Steel Company Limited, for the year 1975-76.

A Set-Back

The sharp set-back in profits suffered by your Company during the past year will no doubt have caused deep disappointment to the shareholders, particularly as they knew only of the high rate of production reported to them through the newspapers every quarter and were unaware of the steep continuing escalation in costs. They may therefore have expected that the results would not be very different from those of the previous year which recorded the highest profit, before and after tax, ever made by the Company.

2. Your Directors realise that the periodical publication of only production and sales figures does not provide an adequate indication of the progress of the Company during the year. If, therefore, it meets with the shareholders' approval, we shall henceforth issue a mid-year report on the performance of the Company and the conditions prevailing in the industry.

Its Causes

3. Although the Directors' Report has briefly indicated that the substantial decline in profit during the year was due to cost escalations beyond the control of the Company, compounded by a recession in demand, shareholders will, no doubt, expect from me a fuller understanding of the causes of this set-back.

4. In comparing the results of the two years, note should first be taken of the fact that, in the year 1974-75, the Company enjoyed for the full year the benefit of the substantial increase in prices sanctioned by Government in October 1973. That increase, which averaged Rs 245 per tonne in our case, resulted in a net accretion to the revenues of that year of about Rs 18 crores before tax and Rs 8 crores after tax.

High Costs

5. In both the Directors' Report and my Statement to the shareholders in July last year, it was pointed out that by 31st March 1975, the above increase in prices had already been almost fully absorbed by cost escalations beyond management's control, mainly in respect of coal, power, fuel and wages. Since then and upto March 1976 works costs escalated further by about Rs 110 per tonne.

Large Inventories

6. To add to our difficulties, the recession in demand during the year resulted in a large increase in our steel inventories, the financing of which alone added more than Rs 3 crores to our interest burden, and for the first time since Independence necessitated the grant of rebates on certain slow-moving categories of steel compensated only partly by the larger tonnages sold through stock-yards at a higher price.

Low Prices in India....

7. I am sure shareholders need no reminder of the fact that year in and year out we have, both in my Chairman's Statements and in correspondence and discussions with Government, pointed out the gross inadequacy of the ex-works prices fixed by Government and argued and pleaded for a realistic pricing policy which would enable this basic and vital industry, not only maintain the efficiency of its plants but also to modernise them as they aged and became obsolete.

8. Mine have been cries in the wilderness except in 1973 when Government did grant temporary relief through a substantial price increase. Over the last thirty years or so, however, the steel industry has consistently been made to charge uneconomically low prices to steel users.

..Compared to those Abroad

9. Let me illustrate the point by some simple examples of the comparative situation in India and elsewhere. The current price of structural sections allowed to Indian producers in both public and private sectors is to-day lower by about 65 per cent than in the UK, 64 per cent than in the USA, 51 per cent in Japan, and 57 per cent than in Australia. In the case of bars and rods the gap is 40 per cent in comparison with the UK, 43 per cent with the USA, 29 per cent with Japan and 38 per cent with Australia, while the ex-works price of plates in India is 56 per cent less than in the UK, 60 per cent less than in the USA, 50 per cent less than in Japan, and 54 per cent less than in Australia.

10. It will thus be seen that the Indian steel industry is compelled to sell its steel on the average at something like half the price earned by the steel industry in other countries, although the capital cost of putting up steel capacity in India is no lower than in those countries, and where higher wages are largely compensated by higher productivity.

11. By permanently denying to the Indian producers, through unrealistically low prices, the means to ensure the efficiency and continuous modernisation of their plants, Government make sure that, over the years, their costs of production will relentlessly rise as a result of the growing cost of maintaining old plants and of their inability to replace obsolete equipment and processes by modern and more efficient ones.

12. If, notwithstanding

its age and lack of modern equipment, our plant continues to produce good steel at near full capacity, it is mainly because of the heavy capital expenditure we have incurred year after year, totalling nearly Rs 200 crores in the last ten years. The fact that a number of units of the plant broke all-time records during the past year shows that it is kept in first class operating condition, and is also a tribute to the skills, experience and hard work of our workers, technical staff and management.

Unfair Burden

13. In the special economic circumstances of India, one could understand that Government, as part of their overall campaign to control inflation, want to keep as low as possible the prices of basic materials or services, such as steel, cement and power, which strongly affect the cost of a host of other products. One can also appreciate Government's need for tax revenues and there could be no objection if the burden placed on the producer on both these counts were a fair and reasonable one. It has however been far from being so in the case of the steel industry, and I submit that the lengths to which our Government have gone in this direction are self-defeating in the long run.

Prices Below Cost

14. Not only is the price at which we are compelled to sell our steel in India about half that of domestic prices abroad as pointed out earlier, but in a substantial number of our products, we are not allowed even to recover our works cost, leave alone their due proportion of overhead costs. It may come as a shock to shareholders to know that in the past year, 450,000 tonnes, or 36 per cent of our total domestic sales, were sold at a loss of Rs 8 crores, excluding depreciation and interest. With these added, the loss was approximately Rs 15 crores.

15. As if this were not enough, on top of the heavy sacrifices the industry is compelled to make by selling its products at uneconomically low prices, Government impose on it the additional burden of ever increasing and now disproportionately large excise duties, which on our own product-mix amount today to Rs 381 per tonne. Can there be any economic justification for such self-defeating policy which cripples the most vital of all industries in the country?

16. When Government built their own public sector plants, which now represent about 70 per cent of the total capacity of the major producers, I had hoped that as steelmakers themselves they would appreciate the imperative need of economic prices in order to ensure that their plants remain efficient and technologically modern over the years. This was a vain hope, for the public sector is also compelled today to sell some of its own products below cost.

17. What do we expect Government to do, faced as they are with economic problems of an admittedly formidable magnitude and multiplicity? We certainly do not ask that they should raise steel prices to the full level prevailing in other countries. We do expect them, however, to cease compelling the steel industry to act as a milch cow for the benefit of other industries and of Government's own steel-consuming departments, either by raising prices to a reasonable extent or reducing excise duties, or both. We do not ask more than that the steel industry be allowed to earn enough to meet its costs, pay moderate dividends, and put enough aside each year to plough back into plant improvements and modernisation.

18. We also expect, as was the case until 1973, that increases in costs beyond the industry's control, particularly those caused by Government's own actions, should be promptly met by an appropriate increase in ex-works prices.

19. I realise, of course, that selling prices to the consumer could not have been increased during the past year when a severe demand recession prevailed, but object could have been achieved by a reduction of, or exemption from, part of the excessive excise duties charged on such basic products as iron and steel, which are the raw materials for many other industries.

Dividends

20. When an increase in steel prices was granted to the industry in October 1973, Government imposed on us the condition that the bulk of the increased revenues should be credited to a fund to be used only for capital expenditure on the plant. The amount so set aside was Rs 6.40 crores in 1974-75, and Rs 5.69 crores in 1975-76.

21. This condition, which lost its purpose from the time that cost increases exceeded the October 1973 price increase, has had the unfortunate and unintended consequence of compelling us to pay a part of the dividends [illegible] reserves. This has [illegible] year brought us within the mischief of a new rule framed under the Companies Act, which limits dividends, any part of which is paid out of reserves, either to the average of the dividends of the previous five years or to 10 per cent of the paid-up capital, whichever is lower. Your Directors were thus debarred from distributing in dividends, including dividends on Preference shares, a total amount of more than Rs 4.83 crores. As a result, instead of the dividend of Rs 8.60 per share they intended to declare on Ordinary shares, they have been compelled to restrict it to Rs 7.75.

22. I deeply regret this further disappointment caused to the shareholders who had already suffered severe hardship from the dividend restriction of the past two years.

Bonus Issue

23. While the shareholders will, I am sure, approve of the proposal to capitalise

Rs 12.86 crores of our reserves and convert them into equity capital, they will no doubt wish to know why the Directors have preferred to give effect to it by raising the paid-up value of the existing Ordinary shares from Rs 75 to Rs 100 rather than adopting the more usual method of issuing one new share for every three held.

24. We have recommended the former method for a number of reasons:

(i) It will be much simpler in that it will only require the over-stamping of every [illegible] scrip instead of issuing new certificates to every share holder.

(ii) It will avoid the need to issue fractional coupons to owners of a single share which they would then have had either to sell, or to consolidate into one share by buying two more coupons. Instead, every holder of a single share will automatically receive an exactly proportionate bonus element of one-third of his shareholding without the trouble and expense of buying and consolidating coupons.

(iii) It will be much cheaper because of the saving in paper, printing and postage.

(iv) It will be quicker because arrangements can be made for the scrips to be over-stamped without delay on mere presentation.

(v) It will bring the Ordinary shares of this largest of all the companies in the private sector in line with one of the two common and convenient share denominations normally in vogue in the country.

(vi) Finally, it will avoid the need to issue a further 1.7 million shares which by adding to the outstanding floating stock could, in certain circumstances, act as a depressing factor on market values.

I trust, therefore, that shareholders will approve of the Directors' proposal.

Prospects

25. Having read, I hope with patience and understanding, this long exposition of the past and present circumstances of the Company's set-back in the year under review, shareholders will no doubt want some reassurance as to our immediate prospects.

26. Considerable improvements in the supplies of coal, power, transport, and in industrial peace in the country, resulting from the various measures taken by Government since the declaration of the emergency, have undoubtedly helped to increase or maintain production in all industries. In our case, however, with full production already achieved, with costs under tight control and inflation checked, prospects of any substantial improvement in our fortunes in the current year will depend on a number of favourable factors materialising: first and foremost, the end of the recession, helped, hopefully, by the impact of another favourable monsoon and the injection of substantially larger plan outlays; second, the long overdue increase in steel prices which such improvement will make possible, particularly on those categories the prices of which today do not even meet cash costs; and third, a further increase in exports.

27. With the world's economy emerging from the recession which plagued it during the past two years, the international demand for steel is bound to increase and with it the opportunities for exports from India. Shareholders will have noted that even in the past recessionary year our Company booked substantial orders which unfortunately could not be fully met owing to shipping difficulties. So long as domestic prices in India are kept at uneconomically low levels, I hope that we will be enabled to make up the loss of revenues thereby suffered by us through larger exports. I can assure shareholders that every effort will continue to be made to raise our profit earning potential at both the cost and revenue ends of our operations.

White Paper on Steel

28. The White Paper on the steel industry recently presented to Parliament by the Ministry of Steel and Mines is an important contribution to long-range economic forecasting. Considerable, and perhaps undue, interest has been aroused by the tentative estimate that India by the year 2000 might need a total capacity of 75 million tonnes of ingot steel against the current capacity of 12 million tonnes and production of 8 million tonnes. Given India's then population of 1000 million, this may not be an over-ambitious target in the light of her technological, natural and human resources, however, staggering the magnitude of the capital investment that would be required. Taking into account not only the cost of constructing new plants and expanding existing ones but also that of the considerable infrastructure that must simultaneously be built to supply them with raw materials, power, transport and the like, the total cost might be of the order of over 50,000 crores in terms of today's rupee, and, say, 85,000 crores at its average value over the next twenty-five years.

29. The key questions which would have to be answered would be: Could the steel industry be allowed to pre-empt such a large part of total investible resources over the competing claims of other pressing priorities? Would the steel-consuming sector of the economy be able to absorb such a flow of steel? Indeed, if so much capital is taken up by steel itself, will we have sufficient capital left for the growth of the steel-consuming industries themselves? Would it be wise to plan for substantial exports considering the low capital output ratio of steel when the export of products made of steel could earn so much more foreign exchange and steel-consuming industries generate so much more employment?

30. Doubtless, questions such as these will be examined in depth; for the time

being, we may welcome this valuable exercise in long-term planning and the fact that it has drawn attention to the implications of large-scale and rapid expansion of steel capacity, and the need for increasing the internal cash flow of the industry, to which I have myself repeatedly referred in the past and again in this Statement.

Conclusion

31. I regret that I have, on this occasion, dwelt at such length on one subject, but I felt it my duty to provide shareholders with a full understanding of the operations of the past year, the reasons for the set-back suffered, the situation in the industry and the prospects for the immediate future. If my remarks sound pessimistic to some, that was certainly not my intention which was only to present a true and realistic picture.

32. I remain optimistic in regard to our Company's long-term future, subject only to Government policies, particularly in regard to steel prices. While I have regretted that the policies followed up to now have been self-defeating and have seriously impeded over the years the progress of our Company, I believe that the hard economic realities of this tremendous country of ours are better understood today than they have ever been before. Winds of change have been blowing around us, sweeping away some of the old ideas and rigid formulae which have held back progress in the past. There is a new urge to achieve results and to avoid delays and unnecessarily complicated procedures. We might, perhaps wish the process to be an even more rapid and profound one, but at least it is in the right direction. There is, finally, a new insistence on hard work and discipline and a widespread response to it which has already made industrial life easier and more productive. The economy of the country cannot but benefit from the present trends.

33. So far as your Company is concerned, it is in many ways in better shape than it has been for a long time. As I have said earlier, our plant, though old and in parts obsolete, is in excellent condition and capable of sustained production. The morale of our organisation remains high and has, if anything, been strengthened by the difficulties of the past year. Our financial position remains strong with a satisfactory debt/equity ratio.

34. I cannot prophesy what action Government will take, nor when it will be, in regard to steel prices to which I have devoted so much of my Statement, but I do know them to be fully aware of the urgent needs of the industry in both sectors, and I can only hope that the right action will be taken soon, as market conditions improve.

35. It remains for me to express the Board's and, I am sure, the shareholders' sincere appreciation of the excellent performance of our workers, technicians and staff at all levels, at Jamshedpur, at the collieries, at the mines and elsewhere. As I have often said before, they remain our greatest asset and our best hope for the future.

J.R.D. Tata
Chairman
Bombay, 25th June, 1976

Note. *This does not purport to be a record of the proceedings of the annual general meeting of the company.*

Heavy Engineering Corporation Limited

(A Government of India Enterprise)
REQUIRE

Advt. No.RT/0/5/76.

(1) MANAGER (FINANCE). Pay: Rs 1850-100-2450/- (Total emoluments range from Rs 2063 to Rs 2450/-).
Qualification: ACA, AICWA, ACMA (London), MBA (with specialisation in Finance) or M.Com. with Post-Graduate Diploma in Business Management (with specialisation in Finance).
Experience: Post qualification experience of about 10 years in financial management in a large engineering industrial undertaking. Experience in dealing with taxation, legal matters relating to Companies and use of Data Processing Equipment for accounting and Management Information and work experience in the public sector desirable. These are key posts in Financial Management and call for practical experience and proven ability in all aspects of budgeting, costing, management accounting and internal audit.
Age: Below 45 years. Relaxable by 5 years in case of SC/ST candidates.

(2) DEPUTY MANAGER (FINANCE): Pay: Rs 1550-60-1850-78-2075/- (Total emoluments range from Rs 1763 to Rs 2288/- p.m.), Qualification: Same as the post of Manager (Finance).
Experience: Same as for the post of Manager (Finance) but of 7 years.
Age: Below 45 years. Relaxable by 5 years in case of SC/ST candidates.

(3) ASSISTANT MANAGER (FINANCE). Pay: Rs 1350-50-1750/-. (Total emoluments range from Rs 1563/- to Rs 1963/- p.m.). Qualification : Same as for the post of Manager (Finance).
Experience: Same as for the post of Manager (Finance). But of 5 years.
Age: Below 40 years. Relaxable by 5 years in case of SC/ST candidates.

(4) JUNIOR EXECUTIVE (FINANCE). Pay: Rs 725-40-1325/-. (Total emoluments range from Rs 938/- to Rs 1538/- p.m). Qualification : ACA, AICWA (London) AICWA, MBA (with specialisation in Finance) or M.Com. with Post-Graduate diploma in Business Management (with specialisation in Finance). Candidates with post qualification work experience will be preferred for this post.
Age: Below 35 years. Relaxable by 5 years in case of SC/ST candidates.

JOB DESCRIPTION:
The post advertised are in the executive cadre of the Finance & Accounts Division of the Company. The company use an IBM 1401 Computer for Accounting and Management information. The candidates should have a basic understanding of data processing and should be acquainted with computerised accounting systems.
The emoluments indicated above include basic pay and variable D.A. only. Besides these, house rent allowance where un-furnished accommodation is not made available, Contributory Provident Fund, Gratuity, Free Medical facilities, Leave Travel Assistance, etc. as per Corporation's rules will also be admissible.
Preference will be given to SC/ST candidates.
Applications on plain paper giving details: (1) Advertisement No. (2) name of the post, (3) full name (4) address (a) Present (b) permanent (5) date of birth (6) domicile: district/state (7) Whether scheduled caste/scheduled tribe (8) qualifications (9) experience (a) name of the employer (b) period (c) designation (d) present pay (e) scale of pay should be addressed in a sealed cover to the Junior Manager (Personnel), Officers' Recruitment Section, Headquarters Administration and Personnel Division, Heavy Engineering Corporation Limited, Plant Plaza Road, Dhurwa, Ranchi-834004 alongwith a crossed Indian Postal Order for Rs 7.50 (1.87 in case of SC/ST candidates) (Not refundable) payable to the Heavy Engineering Corporation Limited, Ranchi-834004, at the post office at Dhurwa, so as to reach the above mentioned executive within 15 days from the date of publication of this advertisement. Candidates called for interview for the posts at Ranchi will be paid single first class return railway fare in respect of the posts 1, 2 and 3 above and second class return railway fare in respect of post 4 above by the shortest route.
Candidates employed in government departments or government/semi-government undertakings or institution should send their applications through proper channel.

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RECORDS AND STATISTICS

Penal rates of interest

THE RESERVE Bank has issued to all scheduled commercial banks a set of guidelines governing penal rates and service charges. The guidelines are based on the recommendations made by the committee appointed by the Reserve Bank in March 1976, with Shri C. P. Shah (Chairman, Bank of India) as Chairman. The other members were Shri K. K. Pai (Chairman, Syndicate Bank), Shri Inderjit Singh (Chairman, Punjab & Sind Bank Ltd), Shri N. R. Kulkarni (Chief Officer, Commercial and Institutional Banking, State Bank of India), Shri S. H. Cassim (Assistant General Manager, Operations, Central Bank of India), Dr M. V. Patwardhan (General Manager, Bank of Maharashtra) and Shri S. N. S, Raghavan (General Manager, Credit & Marketing, Grindlays Bank Ltd). Shri S. R. Avadhani (Additional Chief Officer, Department of Banking Operations & Development, Reserve Bank) and Shri V. M. Sunder Raj (Director, Credit Planning & Banking Development Cell, Reserve Bank) were the observers.

The committee's report was submitted in April 1976. The governor indicated at his meeting with the chief executives of major banks at Calcutta on May 7, 1976 that the recommendations of the committee were broadly acceptable to the Reserve Bank.

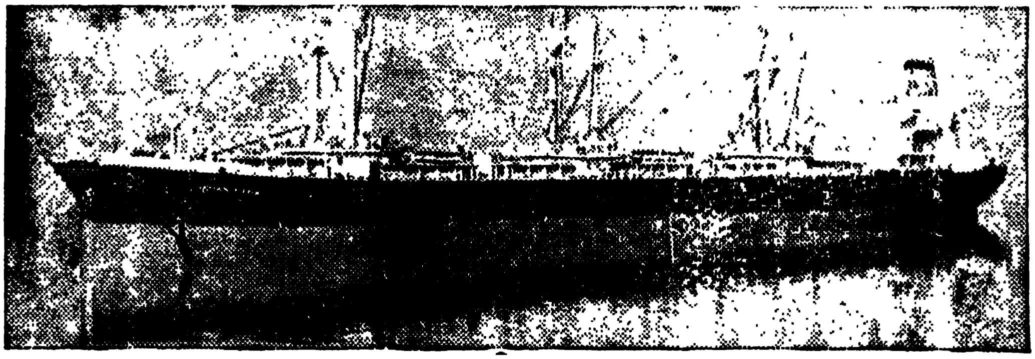
The guidelines are broadly as follows:

Circumstances under which penal rates of interest could be levied by banks and the justification for such levy

Penal rates cannot be objected to in principle and will have to be accapted as a justifiable part of the interest rates policy of banks, as long as they are applied with selectivity and discrimination. Broadly, the areas where banks may be justified in charging penel rates are default in repayment of loans, irregularities in cash credit accounts, non-submission of stock statements and other financial data, default in borrowing covenants, payment/non-acceptance of demand/usance bills of exchange on presentation/due date, and excess borrowings arising out of excess current assets (as recommended by the Tandon Committee).

Penal rate should not be regarded as a revenue raising measure but rather as a measure to enforce discipline in the conduct of the account. The practice in some banks of charging penal rate in lieu of commitment charge is clearly not justified. Similarly, if a borrower does not comply with the insurance condition of the advance, the bank concerned with its insurable interest should be in a position to take out the cover at the cost of the borrower instead of subjecting the borrower to repeated levy of penal rate which in any case cannot be a substitute for the insurance cover.

While the broad areas where banks would be justified in charging penal rates are indicated above, the policy of levying penal rates should be implemented with discrimination and selectivity. Unless a bank's decision to levy penal rate is preceded by consideration of all the attendant circumstances, the system of penal rate wauld become arbitrary. In order to avoid indiscriminate levy of penal rate, the decision on penal rate shoud be taken at a fairly high level in each bank. The decision-making levels should be determined by each bank in the light of its



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Levels at which penal rates should be charged.

Generally penal rates may be charged at rates varying from one per cent to 2.5 per cent over and above the normal rates applicable to advances subject to the condition that under no circumstances should the penal rate exceed two per cent over the ceiling rates on advances prescribed by the Reserve Bank for various classes of banks (i. e., 16.5 per cent or 17.5 per cent p. a. as the case may be plus 2 per cent). However, separate treatment may be given for certain categories of advances as indicated below:

On all overdue inland bills, the overall rate of interest, inclusive of penal rate or overdue interest, should be 18.5 per cent.

Exemptions

All small loans upto a credit limit of Rs 5,000 and all advances made by public sector banks under the Differential Interest Rates Scheme to selected low-income groups, will be exempted from the levy of penal rate. Such exemption will also apply to agricultural advances and loans (excluding plantations).

In the case of small-scale industrial units with credit limits of over Rs 5,000 but less than Rs 2 lakhs, the penal rate should not exceed 1.5 per cent, provided the overall rate of interest, inclusive of penal rate, does not in any case exceed the ceiling rates of interest prescribed by the Reserve Bank. In the case of small-scale industrial advances to units having limits of Rs 2 lakhs and over, the penal rate may be on the scales indicated earlier.

As for direct agricultural advances with credit limits of over Rs 5,000 (excluding plantations), banks should give a time of at least three months to the borrowers for making repayments of the loans or of instalments against advances granted to them. If banks are not satisfied with the reasons for default even during the extended period. they may charge penal rate on the advance. However, penal rate should be charged only on the overdue instalments and not on the total outstandings, unless of course the entire loan is recalled.

Natural Calamities

Where the farmer borrower is not in a position to repay the loans on account of natural calamities, such as drought, flood and famine or on account of unforeseen contingencies such as death or physical incapacitation of the borrower or unusual circumstances beyond the control of the borrower, banks should rather reschedule the repayment instalment than charge penal rate. The penal rate for such agricultural loans with credit limits of over Rs 5,000 (excluding plantations) should not be more than 2.5 per cent over and above the normal rate and the overall rate of interest, inclusive of penal rate, should under no circumstances exceed the ceiling rates of interest prescribed by the Reserve Bank.

The penal rate on plantation loans may be on the scales indicated earlier—at rates varying from one per cent to 2.5 per cent over and above the normal rates applicable to advances subject to the condition that under no circumstances should the penal rate exceed two per cent over the ceiling rates on advances prescribed by the Reserve Bank.

The Reserve Bank has drawn the atetntion of banks to the view taken by the committee that, where penal rate is required to be charged on defaulted loan instalment or irregularities, it can serve as a deterrent measure only to a limited extent and that it would be essential to enquire into the circumstances under which the default or irregularity continues. Penal interest rates would not be relevant in the case of reconstruction or nursing assistance to sick units.

Export Credit

As regards export credit, the Reserve Bank has prescribed that, where pre-shipment credits or post-shipment credits (other than those given on deferred payment terms for a period exceeding one year) are extended beyond the periods stipulated for ceiling rates, the banks may charge their normal rate of interest for the extended period but not less than the minimum lending rate. The scheme of penal rate recommended by the committee will not be applicable during such extended periods. In this connection' it has already been clarified that banks should charge a reasonably low rate of interest for the extended period, taking into account the priority of export credit. This should be kept in view while applying over due interest on post-shipment bills negotiated by banks and over due instalments related to post-shipment credits on deferred payment terms. Where packing credits are availed of but the exports do not materialise, banks should charge a suitable rate higher than their normal rate of interest from the date of the advance. The penal rate in such cases may be on the scales indicated earlier.

Service Charges

As regards service charges on borrowal accounts, the committee has classified them into two categories: (a) reimbursement of actual 'out-of-pocket' expenses incurred by banks, such as godown keeper's salary, travelling or conveyance expenses of bank's inspectors or field officers, legal charges, stamp duties, etc, and (b) levy of special fees or service charges either at a flat rate or on a percentage basis. There is no objection to banks recovering actual out-of-pocket expenses from borrowers in accordance with the existing rules or guidelines. As regards special fees or service charges levied at a flat rate or on a percentage basis, the committee proposes to examine this issue further and submit its recommendations later. In the meantime, no bank should increase its scale of such service charges prevailing before the ceiling on interest rates was prescribed by the Reserve Bank.

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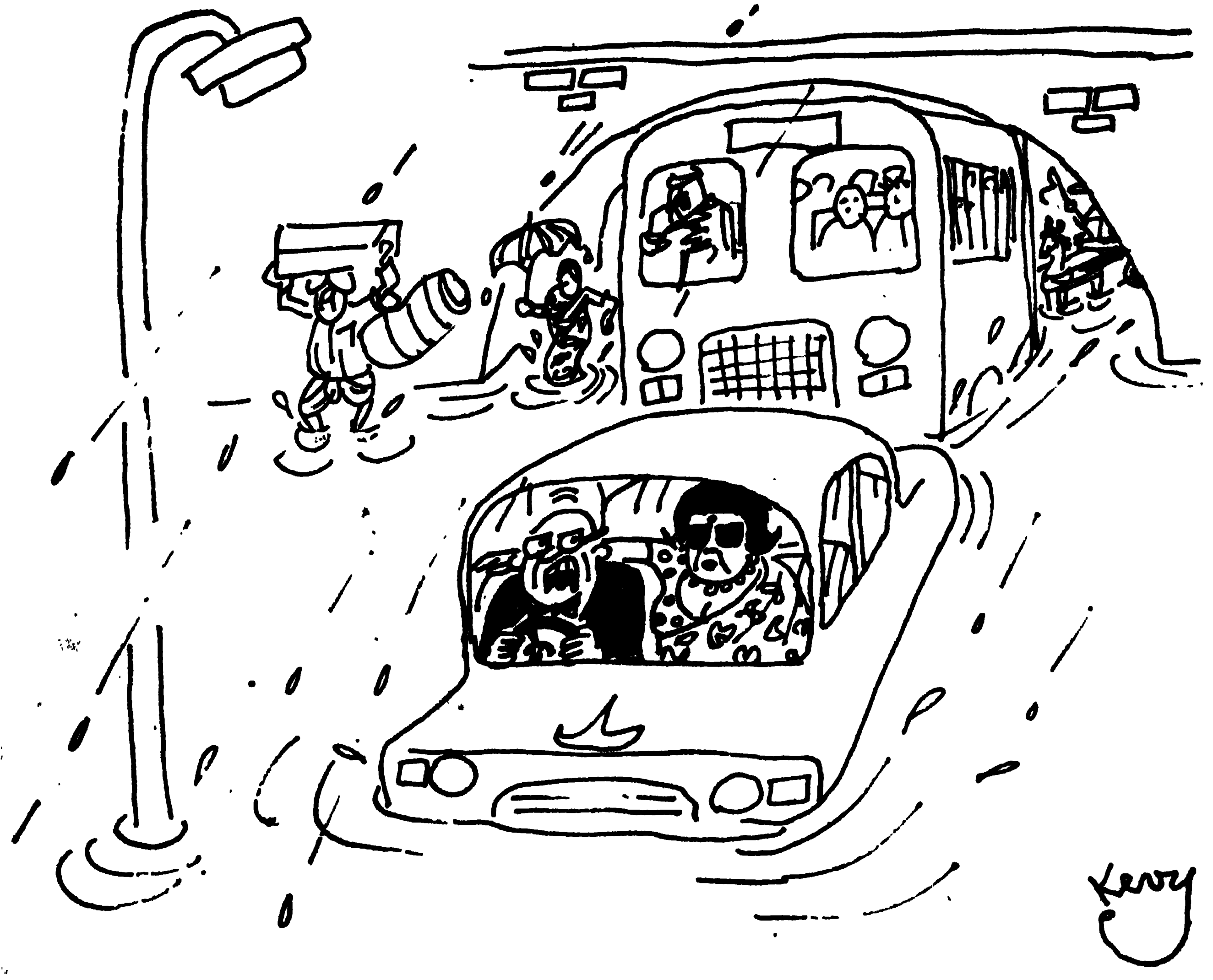

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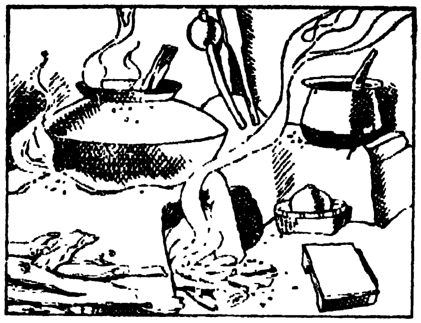
TALK OF FLOODS IN ASSAM — WHAT ABOUT NEW DELHI?



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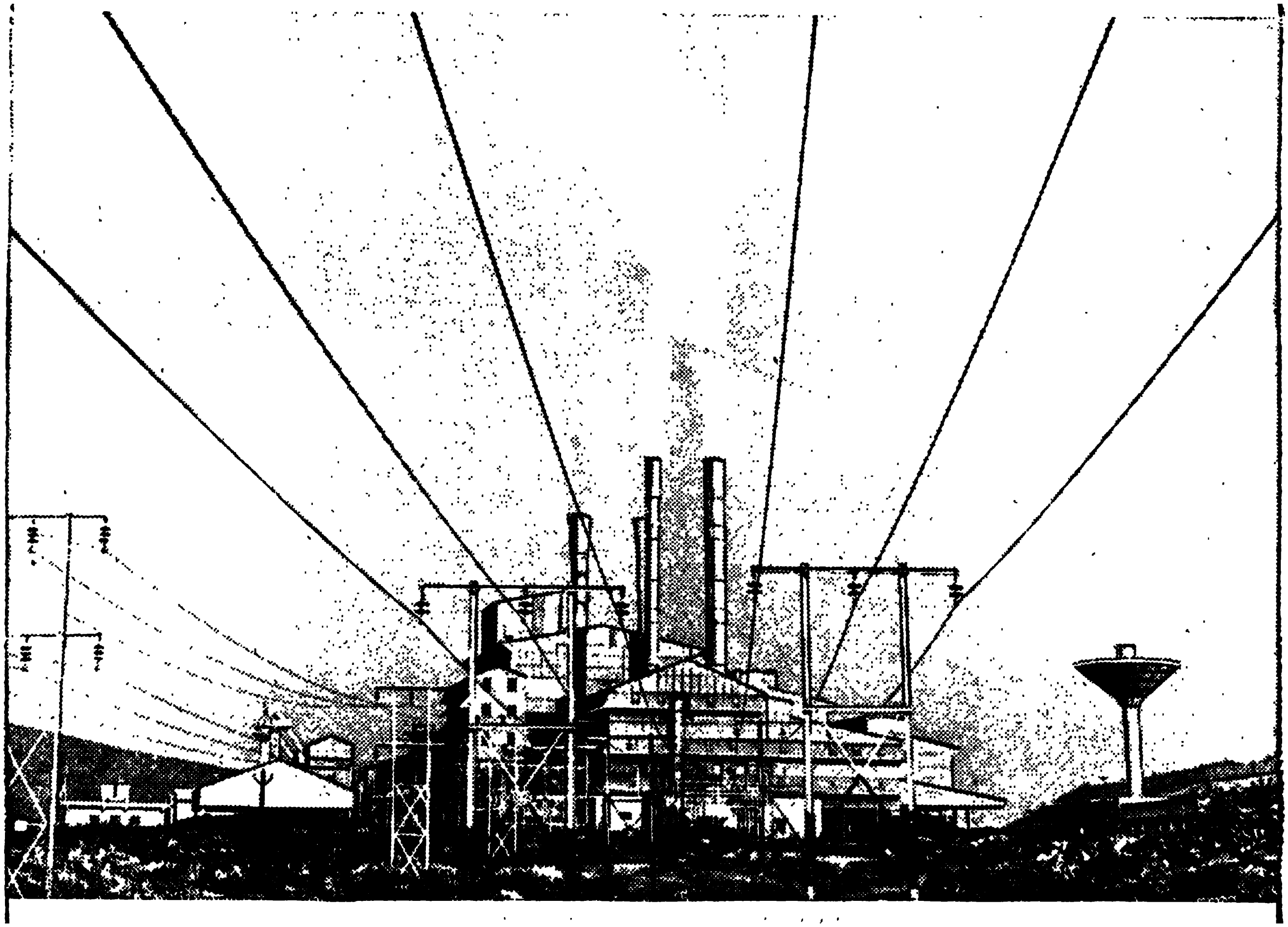

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Jimmy Carter

THE DEMOCRATS in the USA have nominated Mr Jimmy Carter (Full name: James Earl Carter Jr) as their candidate for the presidency in the forthcoming election. Those in this country who have followed the Democratic primaries closely have not been surprised by this nomination. This former governor of Georgia who was relatively unknown both in his country and abroad and has emerged from "laughable obscurity" seems to fit in with the post-Nixon era. His religious background and his stress on integrity in the highest seat of authority in the USA have won him many admirers.

The Watergate episode and the CIA disclosures have made almost every American citizen sit up and think if the Republicans under Messrs Nixon and Ford had not bungled both in national and international affairs. In the words of Mr Humphrey, former vice-president, "The Republicans took crime off the streets—and put it in the White House." Mr Carter has not given any profound answers to many of the ticklish questions. But his broad smile coupled with frequent references to God and Bible has won him spontaneous support from blacks, blue-collar workers and women. For an answer to any question, he relies on his religious background. And this has turned out to be a strong point in winning over the common people. In Mr Carter they see a man of God in whom they can put their faith.

Mr Carter has made it known that no president who tells a lie, has the right to hold on to this august office. In a recent interview on television, Mr Bill Moyers asked him bluntly: "If someone is able to prove that you have told a lie, will you resign from the presidency, if you are elected in the next election?" Mr Carter unhesitatingly replied in the affirmative.

And there is clear indication that the presidential nominee of the Democrats wants a clean government—a government which does not believe in spying on its own people or the other peoples. For this, Mr Carter—if and when elected—will have to clean up the bureaucratic machinery in Washington. Some critics have openly accused him of being ignorant of the political game, both at the national and international levels and they feel that once in the White House, he will find that his Bible and his God will not be able to guide him in the day to day affairs.

Of all the post-World War II US presidents, Mr Carter is fond of the late Harry Truman who, in his view, did not tell a lie during his presidency. It may be stated that the responsibility for unloading the atomic bombs on the Japanese cities in 1945 was shouldered by President Truman. From this the conclusion has been drawn that Mr Carter will not shirk the responsibility to make use of atomic weapons where the interests of the American nation are involved.

That Mr Carter has the solid support of the blacks has become apparent in recent weeks. The keynote address of black Congresswoman Barbara Jorden at the opening session of the Democratic National Convention was rightly described by commentators as "electrifying and dynamic". Said she: "We believe in equality for all and privileges for none. We believe that the people are the source of all governmental power, that the authority of the people is to be extended not restricted. Let us heed the voice of the people and recognise their common sense. If we do not, we not only blaspheme our political heritage, we ignore the common ties which bind all Americans".

In selecting Senator Walter Mondale of Minnesota as his mate in the presidential election, Mr Carter has tried to woo the liberals in the Democratic

Party whose support to him has been rather hesitant. Senator Mondale, aged 48, has acquired rich experience in problems of health, nutrition, housing and care for the aged. Mr Carter and Mr Mondale have one thing common; they are both dark horses.

In the Republican party, the tussle between Mr Ford and Mr Reagen is very keen, with the former having only a marginal lead over his rival. But against Mr Carter, even President Ford may not be able to carry the American nation with him. A historical study has shown that in the US presidential elections, the sitting president has high chances of election if the economy is on the upswing. There is no doubt that the US economy is currently picking up but the odds against President Ford are indeed formidable. The strongest point which is likely to operate against him is his unethical pardoning of Mr Nixon. The American people are not likely to excuse him for this serious lapse. Also, his has been a lustre-less presidency with hardly any positive gains to boost the ego of the average American. And his recent reshuffle of the senior colleagues and a lame-duck Vice-President (Rockefeller) who is not going to be his mate in the forthcoming election if he is nominated by the Republican party, point to his ineptness in the political game.

The interest of the developing countries in the US presidential election has been heightened in recent years because of the somewhat unhelpful attitudes of the Nixon and Ford administrations. During the past decade, the economic assistance as a percentage of GNP provided by the USA to the third world countries has been steadily declining. Mr Carter's election to the US presidency is expected to improve the prospects of increased assistance as he does not consider the demands of the developing countries as unreasonable. In his address to the national convention of the Demoratic party, he said: "To the nations that seek to lift themselves from poverty, I say that America shares your aspirations and extends its hand to you."

The problems of storing foodgrains

THE STOCKS of foodgrains rising to 18 million tonnes in the country at present—partly built up through imports over the last one and a half years and to a great extent accruing from good kharif as well as rabi crops during the last agricultural year ending June 30—should, indeed, help in not only tapering of imports during the current year but also in maintaining stability in the prices of foodgrains. It is too early to express a firm opinion on the prospects of the next kharif crop as monsoons have just gathered momentum and also there are reports of inadequacy of rains in Orissa, Karnataka and Kerala. But even if the next kharif crop turns out to be normal, the easy foodgrains supply position at present in the open market, which has led to the sales from the fair-price shops going down substantially in the past several months, should help in augmenting the stocks further after the kharif harvest. Although much depends on the progress of rainfall, the easier availability of other essential farm inputs, namely, improved varieties of seeds, fertilizers, pesticides, etc, can surely be expected to yield at least a normal kharif output.

This situation apparently has emboldened the government to build up a sizeable buffer stock of foodgrains—at least of the order of 12 million tonnes, after taking into consideration the likely withdrawals from the stock in the lean months. This is the most significant achievement on the agricultural front right since independence, as the country was never so well placed all these years in regard to food supplies as at present. There, however, is no room for complacency. Efforts at agricultural development, particularly in the field of expansion of irrigation facilities as expeditiously as possible, have to be continued relentlessly so that a lasting solution of our food problem can be ensured.

Important question

Along with the above efforts, another important aspect of the issue that now requires serious thought is whether while maintaining a sizeable buffer stock, we should remain content with the conventional methods of collection, storage and distribution of foodgrains which have been followed hitherto or should move vigorously towards modernising them.

Practically, the entire movement of foodgrains in the country at present, whether imported or procured indigenously, is done in gunny bags. So far as storage is concerned, just about five per cent is done in bulk and the rest approximately 95 per cent in bags. This system has continued because of various reasons. Mechanised handling has not been encouraged because of the abundance of manual labour and the easy availability of gunny bags from indigenous sources. The economic standards of our people also being low, their purchases are in small quantities—on a weekly or fortnightly basis—for which gunny bags have been found quite suitable. Bulk supplies are being made only to the large-sized flour mills or bakeries the requirements of which form only a small percentage of the total needs of the country.

With growing urbanisation and changing food habits—though slowly—the situation, however, is now altering significantly. This should be evident from the steady upward trend, even in normal years, in the supplies being arranged for the fair-price shops. Further, with buffer stock operations, we will be obliged to preserve foodgrains from deterioration over longer periods than has been the case hitherto. Storage in bags is said to preserve the quality of grains for not more than a year—in the damp areas for not even more than ten months. For the successful operation of buffer stocks, this period is hardly helpful.

Even from these viewpoints alone, the case for thinking in terms of bulk handling and storage of foodgrains is quite strong. Through bulk storage, foodgrains, experts opine, can be preserved easily for three—in some cases even up to five—years. This is because fumigation can be easily done directly on the grain. The consumption of pesticides too goes down considerably. the loss of grains in bulk storage is said to be just about one-fifth of that in bagged storage, for not only rodent, vermin and bird control is very effective in the former case but also pilferage is much more difficult than in the latter case. Transit loss too is reduced very considerably. Among the other advantages of bulk storage compared to bagged storage, mention may be made of the much more effective use of the storage space, the land requirements going down by nearly 60 per cent, and obviation of large expenditure on gunny bags.

initial investment

The initial investment on creating bulk storage capacity, of course, is much higher than in the case of conventional type storage. But the above advantages reduce the operational costs very significantly. According to one estimate, the operational cost per tonne in the case of bulk storage comes to about Rs 70, as against slightly over Rs 77 in the case of the conventional system. Both these estimates exclude the cost of gunnies required at the final stage of distribution of grains.

Some efforts have been made in the recent past by the Food Corporation of India to introduce bulk storage in the country. Several silos as well as flat-bed bulk warehouses have been built at various places. But, as mentioned earlier, this capacity is just about five per cent of the total foodgrains warehousing capacity in the country. The progress has been meagre as yet for various reasons, including the preference till now for conventional type storage, paucity of funds and the lack of supporting haulage facilities. It is time that attention is paid to attune railway and road movement facilities to bulk storage. The efforts have to be coordinated if significant successes are to be achieved. The global experience is a clear indication of this.

Making export assistance attractive

IN A STUDY entitled, "Export and Production Perspectives: 1980-81" issued recently, the Federation of Indian Chambers of Commerce and Industry (FICCI) has analysed the various schemes of assistance that are available to exporters and has made some suggestions for making them more effective. These schemes include cash assistance, import replenishment, duty drawback, supply of inputs at international prices, and concessional export credit. The FICCI however says that some of these measures "only look like incentives and concessions", that they are "an attempt to counteract impediments which policy measures themselves impose", and that most of them are available in almost all other countries and therefore do not provide any additional benefits. Nevertheless, the fact remains that these schemes have certainly helped our industries to improve their competitive capacity and sell their products even in the distant and difficult markets of the world.

The federation has observed that the scheme of cash assistance needs to be suitably modified so as to make a greater impact on export promotion. It has suggested that this should be made available to exporters "immediately on undertaking the export" and that the amount should be disbursed through the banks on the basis of adequate proof of export. Even if the government agrees to this procedure, the problem remains of fixing the rates of assistance at realistic levels and revising them from time to time, depending on the international market conditions. For this purpose, the federation has suggested that a small permanent committee should be set up consisting of officials from various ministries, particularly Commerce, Finance and Industry and also exporters. But a committee to review cash assistance is already functioning.

exporters' representation

The latest annual report of the union Commerce ministry says: "The need to consider modifications in the levels of cash compensatory support on exports of different export products on account of developments taking place from time to time in the international sphere and also in the domestic market is considered by a high level standing committee, constituted last year, on which representatives of the ministry of Finance, DGTD and CCI & E are represented". Does the federation want another committee to decide cash assistance? It says that exporters should also be represented on this committee. But which exporters ? This type of assistance is available to a wide range of goods including engineering, chemicals and allied products, synthetic fabrics and garments, marine products, jute goods, processed foods, and so on. How does the federation want to select the exporters' representative on this committee?

As regards the payment of duty drawback, the federation points out that this scheme does not confer substantial benefit on exporters. In 1975-76 customs and excise duties together amounted to Rs. 4750 crores, about 20 per cent of the cost of industrial production, though this percentage may be higher in respect of some export commodities. But only a part of this tax becomes eligible for refund.

comprehensive coverage

FICCI has suggested that the amount of drawback should be comprehensive enough to include not only customs and excise duties but also other indirect taxes like sales tax and octroi. But this proposal cannot be implemented until the entire structure of direct taxation is reviewed. The federation has said on page 11 of the study that the value added tax is "an excellent system under which the full impact of indirect taxation can be ascertained and completely made good". But on page 37 it has observed that the value added tax which has been adopted by many countries will provide additional benefit to export trade "if found feasible and useful in our conditions". It seems therefore that the federation has not really made up its mind about the suitability of this kind of tax to Indian conditions.

The latest annual report of the union Commerce ministry gives the impression that the drawback scheme is being implemented smoothly. It says that the scheme plays "an important role in the promotion of exports", that a sum of Rs. 60 crores was sanctioned as drawback to exporters during 1974-75, and that the proforma for the fixation of provisional rate of drawback has been simplified. The Inter-Departmental Drawback Standing Committee met seven times during 1974-75 and considered several aspects of this scheme. It now covers almost all export commodities and includes nearly 700 items where "all industry" drawback rates are available. Meetings are also held with export promotion councils and trade organisations before the revision of the rates. But FICCI has observed that the mode of payment of the duty drawback is "extremely complicated and time-consuming". It may not perhaps be possible to evolve a scheme of drawback which will be entirely free from all drawbacks. But the government should at least ensure that the payment is made to exporters as promptly as possible.

India has achieved an impressive rate of growth in exports in recent years. The annual compound growth rate is estimated at 7.2 per cent in 1970-71 and 20.4 per cent in 1975-76. In terms of value, exports rose from Rs. 1535 crores in 1970-71 to Rs. 3863 crores in 1975-76. But it is significant that our share in world exports fell from 1.02 per cent in 1965 to 0.72 per cent in 1970 and 0.53 per cent in 1975. The federation has estimated that the growth in exports in the past five years was composed of 84 per cent increase in prices and 18 per cent expansion in real terms. "The growth in export earnings," according to the Federation, "was largely a reflection of the price boom which had overtaken the economy. The expansion in the quantum of exports was small and contributed less than one fifth to the additional export earnings in 1970-75". The government of India therefore should review the export assistance schemes and make them more attractive and effective. But what is even more important is to make the policies in regard to licensing and taxation really export-oriented in order to strengthen the capacity of our industries to compete successfully in the foreign markets.

Holding the price line

THE UPWARD trend in the index for wholesale prices (base 1961-62=100) by about four per cent in two months has given rise to fears that inflationary pressures have been re-asserting themselves and the negative growth rate in inflation achieved since September 1974 might be reversed. The rise in wholesale prices in the past few weeks has taken place mainly in pulses, edible oils, cotton and sugar due to apprehensions that the delayed onset of the monsoon might adversely affect the output of food and commercial crops in the kharif season. An analysis of the indices for the past twelve months clearly shows that the drop in the index for all commodities to 296.8 on June 19, 1976 from 312.9 on June 21, 1975 was on account of the food group which declined to 323.7 from 371.5 in the same period. There has, of course, been a sharp rise in fibres to 293.3 from 239.4, though oilseeds have not registered a net rise in 12 months, the index being actually lower at 284.3 against 342.0. But in the past one month the index has risen in respect of oilseeds sharply by 27 points. The index for finished goods has risen marginally in 12 months to 242.2 from 240.6, the increase being due to metallic, non-metallic and chemical products.

The changes in the components of the index for all commodities clearly indicate that a plateau has been reached in respect of finished goods based on raw materials other than agricultural products and the attack on inflation can be successful only with the maintenance of agricultural production at high levels. This conclusion is also borne out by the changes in indices in 12 months ended December 1975. During this period the drop in the index for all commodities to 291.1 from 315.9 was brought about by a decline in the food group index to 320.3 from 367.9 and in industrial raw materials to 256.8 from 321.3. In the latter index fibres and oilseeds recorded a big drop, with oilseeds particularly declining abruptly to 275.7 from 410.8. Will it therefore be correct to presume that a disturbing situation has arisen and inflation will take place at annual rate of 24 per cent and an "inordinate" increase in money supply has had an upsetting effect?

world developments

It will not be correct to arrive at any definite conclusions on the basis of recent developments as the government is in a better position to tackle price situation firmly than before and achieve satisfactory results in a short period. It may not be justifiable however to think that prices can be rolled back to the levels prevailing in 1972 or an upward rise in prices can be prevented even if imports were liberally permitted. It is here that the developments in the world situation have a vital bearing on the internal price structure. There has latterly been a sharp rise in world prices for metals and many other commodities and severe droughts in western Europe and parts of Soviet Union have seriously affected the output of foodgrains, oilseeds and beet sugar. There has been a skyrocketing of international prices for coffee, oilseeds and to some extent even foodgrains. What are the measures that should be adopted in the present context to check a continuing rise in prices and is there any need to adopt new anti-inflationary monetary measures?

Fortunately, the Food Corporation and other state agencies are having at their disposal huge quantities of foodgrain. The outstanding food credit on July 2, 1976 was Rs 2,271.32 crores which suggests that the buffer stocks were around 17 million tonnes. Even if the offtake through fair price shops increases to 1.5 million tonnes every month the stocks can come down to only 10 million tonnes by the end of November by which time a clear picture will be available of the yield of kharif crops and the prospects for rabi crop. It is unlikely however that there will be such a big increase in the offtake through fair price shops as sizeable quantities have yet to be procured out of the bumber kharif and rabi crops of the last agricultural season. If procurement purchases were slowed down and there were larger issues through fair price shops in deficit areas, food prices can be kept down at reasonable levels.

With the new techniques adopted for raising food crops even a sizeable shortfall in rainfall cannot affect seriously the yield of kharif crop. The latest reports about rainfall have also been satisfactory. Again, even an output of 108 million tonnes cannot have undesirable consequences as the country's needs are only around 108/110 million tonnes. If buffer stocks decline in the next few months they should rise again later by the middle of next year and any significant change may not be recorded. It is in this respect that the developments in the food situation in the curreent agricultural season have great importance.

It is imperative, however, that there should be a more effective policy in regard to the raising and marketing of commercial crops. The bumper yield of oilseeds in the last season encouraged a sense of complacency and it was not considered necessary to maintain sizable buffer stocks. The support operations in groundnut in Gujarat particularly could have been more effective and exports should have been permitted only after building up fairly large stocks of edible oils from internal sources. In the light of recent developments, violent fluctuations in the prices of oilseeds can be prevented only if buffer stocks of 100,000 tonnes of oils are maintained. The outlay on this account will not be more than Rs 75 crores, even if costly imported oil has to be purchased. If a nucleus of this dimension can be built up it will be possible to effect sales even on a subsidized basis in particular stages and recoup the losses over a period by effecting purchases when prices decline internally and internationally.

In respect of cotton it has not happened in the recent past that the trade and even mill managements should have gone so seriously wrong in their estimates of the 1975-76 crop. With slump in prices for long staple cotton in the latter half of 1975, sizeable exports of short staple and long

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staple varieties were permitted. It turned out later that the crop was not so large as expected earlier and the monopoly procurement scheme in Maharashtra also had a complicating effect as the yield was satisfactory only in this region while the decline came about in other important areas such as Gujarat, Andhra Pradesh and Tamil Nadu. With high world prices and a shortage within the country, prices have risen awkwardly in the past few months.

Even if imports could be secured they will be helpful only in preventing a further rise in prices. Clearly, available supplies have to be strictly rationed with even a reduction in the output of varieties of cloth which consume larger quantities of cotton. As heavy stocks of controlled cloth are lying unsold the manufacture of these qualities can be suspended or reduced drastically for some months as cotton growing in irrigated areas has been quite efficient and the present high prices will have a stimulating effect. The new crop may be around 6.5 million bales if not more. If weather conditions are favourable the objective should be to achieve an output of 7.0 million bales. Arrangements may have to be made for sizeable imports. What is more important is a decision on buffer stock operations in cotton on a national and not regional basis.

The increase in sugar prices is due to a big rise in exports and a drop in output in the current season by nearly 550,000 tonnes from the level of 19 4-75. The situation can be kept under control with postponement of shipments by 200,000 tonnes in the next four months and releasing the quantity for internal consumption. Without releases of 350,000 tonnes every month during the festival season an undue rise in open market prices cannot be prevented. Simultaneously, immediate decision will have to be taken in respect of the fixation of levy sugar prices for the next season and rebates in excise duty for excess production.

The availability of steel, cement, chemicals and fertilisers is adequate and with no deterioration in the power situation exports of steel and cement can be sustained at the present rate. There can also be a pruning of imports of fertilisers as additional capacity is being commissioned and the existing units also are operating more efficiently. The money supply factor is not thus so important as the grip on agricultural production and policies for maintaining buffer stocks of commercial crops and raising their output. With effective checks on the grant of credit against commercial crops in short supply, and prudent arrangements for import by using available foreign exchange resources, the good work of last two years can be continued without any interruption.

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CAPITAL'S CORRIDORS

R. C. Ummat

Concern over price level

A GOOD deal of concern is in evidence on the part of the central government over the recent uptrend in prices, particularly of foodgrains, vegetable oils, sugar and cotton. Although the wholesale prices index currently continues to rule marginally lower than the last year's level, it started moving up in the beginning of April and has already registered since then an increase of slightly over 8 per cent. High level discussions have started with a view to identifying the precise cause for the rise in prices so that a new package of measures to correct the situation can be finalised expeditiously.

Meanwhile, the union minister for Agriculture and Irrigation, Mr. Jagjivan Ram, in a letter to the state chief ministers, has called for drastic action against unscrupulous traders whose activities are said to be in no small way responsible for the current rise in the prices of foodgrains and such other essential commodities as vegetable oils and sugar. The state governments have been advised to take action against such traders under MISA, DIR or the Essential Commodities Act.

unexplicable rise

The ministry of Agriculture feels that with a record production during the last agricultural year ending June 30, which has enabled the government to procure nearly 12.5 million tonnes of foodgrains—an unprecedented level of procurement—there is absolutely no cause for the current rise in the prices of cereals. It is pointed out that as a result of easy supply position in the open market, the off-take of foodgrains from the public distribution system had declined considerably in the recent months. It is, however, feared that owing to the fall in the off-take from the public distribution system, this system might not be now functioning effectively in some states. The state governments, therefore, have been advised to take expeditious steps to energise the system so that more foodgrains can be issued through it in an effort to contain prices.

unprecedented output

On the basis of market arrivals and the reports from the state governments, the ministry thinks that the output during the agricultural year just ended has been of the order of over 118 million tonnes. This level of output and the exceptionally good procurement should support the contention of the government that the current uptrend in prices of foodgrains is unwarranted. But a significant point that appears to have been ignored is that the pace of arrivals in the market as well as the procurement figures for the year are not necessarily a true indication of the output. This year, undoubtedly, was an exceptional one from various points of view. If the market reports are any indication, the agriculturists, particularly the smaller ones, unloaded their production in the market in a large measure not necessarily because they had sizeable disposable surplus which they wanted to cash in to meet their pressing requirements for funds, but also because they were afraid of being caught on the wrong foot by the official machinery and wanted to avoid unnecessary harassment at the hands of the over-enthusiasts among the officials who have not refrained from invoking at the slightest pretext the wide powers vested in them. This has vitiated, to some extent at least, the supply position in the open market which has been allowed to function after the reversal in 1973 of the experiment of taking over the wholesale trade in foodgrains by the government in the previous year.

duty withdrawn

So far as edible oils are concerned, the government has not only imposed a ban on the export of hand-picked superior variety of groundnuts, which was the only variety allowed to be exported, but has also asked the State Trade Corporation to import sizeable quantities of edible oils—palm oil, rapeseed oil and soyabean oil. It has been further decided to withdraw the import duty on edible oils with effect from August 1, which was 30 per cent in case of rapeseed and palm oils and 15 per cent in the case of soyabean oil. The Reserve Bank of India too has raised the margins for grant of credit against oils and oilseeds.

The STC Executive Director, Mr Z. K. Joseph, told newsmen last week that even though the world prices of vegetable oils had shown an uptrend recently, the imported supplies to be made available to vanaspati manufacturers were proposed to be maintained at the present levels; the STC had no intention of raising them. Arrangements, he added, were being made to supply per month 20,000 tonnes of imported oils to vanaspati manufacturers, as the government has stipulated that they have to use 50 per cent of these oils in their production. The STC presently is holding a stock of 46,000 tonnes of imported oils, of which 20,000 tonnes have been committed and are expected to be delivered to the industry by August 15. Import contracts for another 79,000 tonnes have been finalised. Nearly 59,000 tonnes, out of the newly contracted quantity, would be available for shipment by September 15.

Mr. Joseph clarified that exports of groundnut oil by STC a few months ago had been of the order of just 5,000 tonnes, which too were effected as a price support measure since the prices of groundnut oil had gone down very markedly—to below Rs. 4,000 per tonne.

The imported oils at Rs. 5,000 per tonne, Mr. Joseph stressed, would be costing much less to vanaspati manufacturers compared to the prevailing price of groundnut oil which was over Rs. 6,400 per tonne. This should help in bringing down the price of vanaspati.

In regard to vegetable oils also, it appears that the role of an important factor in the recent uptrend in their prices has not been correctly appreciated by the government. It is the decision a few months ago that no supplies of imported tallow would be made available to the organised sector of the soap industry, which used to be of the order of about 8,000 tonnes. Consequently, imports of tallow this year have been curtailed to meet the requirements only of the small-scale manufacturers of soap and grease-making units. Some larger exports of castor oil—32,000 tonnes during the current financial year till now, as against 37,000 tonnes during 1975-76 as a whole—too have been effected; as also those of linseed oil. These two factors have increased the pressure of soap manufacturers' demand on the vegetable oils market.

expeditious review

The decision to stop supplies of tallow to the organised sector of soap industry may have been warranted in view of the substantial decline in the prices of edible oils following the good groundnut crop during the last kharif season, but surely the situation needs to be reviewed expeditiously so that the pressure on the edible oils market by soap manufacturers can be drastically curtailed, if not eliminated altogether.

In the case of sugar, larger releases are being made now to increase the supply in the market. The uptrend in the prices of sugar too, therefore, should get reversed soon. So far as cotton is concerned, the problem has arisen primarily because the original estimate of the last crop has turned out to be wide off the mark. The situation in this market is proposed to be rectified through imports of not only cotton but also larger quantities than earlier contemplated of synthetic fibres.

foreign exchange position

The very comfortable foreign exchange position of the country at present, thanks to a sharp increase in the remittances by Indians abroad, encouraging export trends, substantial reduction in the import bill following the curtailment of imports of such products as foodgrains, fertilisers, metals—both ferrous and non.ferrous—and the strength gained by the rupee vis-a-vis pound-sterling after the link between the two was snapped last year, should, indeed, enable the government to augment the supplies of essential commodities in the market through imports either of the commodities directly or of raw materials in the case of industrial products. But this cannot be just an ad hoc measure. Efforts have to be made to keep a reasonable balance between the supplies of goods in the market and the money supply with the public. Even though bank credit is being well controlled at present and is being provided only for productive purposes and not for building up inventories, the rupee counterpart funds which have to be released against the remittances by Indians abroad surely are increasing the money supply disproportionately. The implications of this new phenomenon have to be seriously assessed and that too without delay so that the situation can be controlled effectively without adding to the inflationary tendencies in the economy.

As indicated in this column a few weeks ago, the production of several other essential commodities too has either suffered a setback compared to the last year or has not grown according to expectations. Although the availability of these goods in the market is comfortable and no scarcity conditions have been reported from any part of the country as yet, an uptrend in the prices of such commodities as well cannot be ruled out unless energetic efforts are made to augment supplies either through increasing production indigenously or through imports. Imports, in fact, may not be necessary at all as there is good scope for raising production within the country itself. The announcement last week by the minister for Industry, Mr T. A. Pai, that the government would not hesitate to import some essential commodities and industrial raw materials if the situation warranted, should augur well for the containment of prices in the coming months. The strengthening of monsoons over vast tracts of the country also should help the next kharif crop. It should go a long way in curbing speculative tendencies in agricultural products. Incidentally, the target for rice production this year has been fixed at 50 million tonnes—2 million tonnes more than the output last year.

curb on steel prices

Another important development in regard to the price level last week has been that the union ministry of Steel does not share the view of Mr J. R. D. Tata that in view of the mounting production costs, there was a case for a general increase in the prices of steel. A general raise in steel prices, it is felt, will lead to accentuation of inflationary tendencies and erode the advantage which we enjoy at present in the exports of not only engineering products but also of several others. Selective increases in the prices of some categories of steel, however, might be considered by the government. It, of course, remains to be seen how far the losses being incurred by the steel industry can be offset by selective increases in prices.

Farmers and their credit needs

R. K. Sharma & S. C. Tewari

This article compares the capital and credit needs of rural and urban influenced farmers. The authors arrive at the conclusion that even at the existing level of technology, there is a large potential market for credit in both rural and urban areas, though the short-term credit requirements of the farmer in the rural areas are significantly more than that of the urban-influenced farmer.

WITH THE breakthrough in farm technology, agriculture has become increasingly capital intensive. The adoption of the new technology requires a sizeable amount of financial input for the purchase of non-farm resources, i.e. fertilizers, pesticides and high-yielding varieties of seeds. This obviously involves more cash inputs which cannot ordinarily be met by the cultivators out of their own savings. Thus the cultivators invariably depend on external finances for the adoption of the new farm technology. It is, therefore, of utmost importance that the cultivators are provided with additional funds from different banking institutions.

actual requirements

Most of the banking institutions do not take into account the actual financial requirements for the adoption of optimum production plan under different farm situations which ultimately leads to non-adoption of optimum production plans and results in reduction in farm production in general and reduced net farm returns in particular.

A study was undertaken to analyse the capital and short-term credit requirements of the urban and rural influenced farms of Ludhiana district. The objectives of the study were:

(1) Estimation of capital and credit requirements at different levels of technology and crop-mix; and

(2) to examine the seasonal pattern of capital and credit requirements.

Ludhiana district was purposely selected as the farmers of this district are relatively more advanced in the use of agricultural technology than the rest of Punjab. Ludhiana block was randomly selected. A complete list of 77 villages was taken. It was hypothesised that capital and credit needs are influenced by urbanisation. The block was stratified into two regions viz. (i) Urban-influenced area which is within a radius of five miles of Ludhiana city and (ii) Rural-influenced area. Two-stage stratified random sampling was used with village as the primary unit of sampling and operational holding as the ultimate unit. Two villages from each region were selected on the basis of probability proportion to cultivated area. A complete list of all the cultivators from four villages was taken and they were classified into small (7.06 acres), medium (7.06 — 13.21 acres), and large (more than 13.21 acres) by cube root frequency method.

POINT

OF

VIEW

Four farmers in each size group were randomly selected in each region, thus there were 24 farmers from each region. To make the study more comprehensive, larger farmers were further subdivided on the basis of power use, i.e. those with bullock-operated large farms and tractor-operated large farms. Data was selected by personal interview for the year 1971-72. For optimum technology information given by PAU, Ludhiana was used.

Budgeting technique was used to develop the optimum plans. Analysis was done under the following three plans:

Plan P_1 —Existing cropping plan with existing level of technology. The aim of this analysis was to find out the existing cropping pattern and the extent to which they are using technology.

non-conventional input

Plan P_2 —This plan represents the existing crop plan with optimum level of a technology when the restraint on the capital is relaxed. The credit requirement of this plan compared with the previous plan gives an idea of an additional requirement of the capital which can be absorbed in the farm business due to the adoption of optimum technology of production in high yielding variety, chemical fertilizers, pesticides, etc so as to maximise the net return. This would reveal the impact of non-conventional input factors on the farm credit needs.

Plan P_3 —This plan represents optimum cropping pattern in the optimum level of technology with the provision of borrowing necessary credit. It provides an estimate of optimum financial needs of the farms to adopt new technology. Difference between P_3 and P_2 gives an estimate of additional financial requirement due to change in crop-mix whereas the comparison between P_3 and P_1 gives an estimate of credit requirement due to change in organisation and technology.

Per acre capital and credit requirements for different enterprises of kharif and rabi seasons were determined. Capital requirements of farm consist of total variable cost i.e. value of seed, manure, fertilizer, pesticides, insecticides, diesel engine, casual labour, interest on cash, variable expenses, irrigation charges at flat rate, hired machinery, permanent labour, land revenue and repair charges. The enterprise budgets were prepared separately for existing and improved level of technology. The capital requirement at the existing level of technology includes the cost of inputs actually used by the cultivators. Whereas at the improved level of technology the inputs and their levels recommended by PAU, Ludhiana, for each enterprise were considered, per acre requirement for kharif and rabi was calculated by dividing total capital requirement in kharif or rabi by the area under crop during kharif or rabi season. For calculating the short-term credit requirement the following formula was used:

Cn = Cr —Co.
Whereas
Cn = Credit need
Cr = Capital requirement
Co = Capital owned or cash owned

Existing and optimum cropping patterns of all farm situations of rural and urban-influenced farms were summarised in Table I.

low-paying crop

A glance at this table reveals that in Plan P_1 almost all the farms of rural as well as urban influenced areas had devoted maximum area under low-paying crops such as traditional varieties of maize, kharif fodder, gram, berseem, etc. In Plan P_3, the area under traditional varieties of maize was reduced and replaced by hybrid maize; area under sugarcane, wheat and other more paying crops was increased. The intensity of cropping pattern more or less remained the same, i.e. as in Plan P_1.

Per farm and per acre capital requirements of urban and rural influenced farms are summarised in Table II. The capital requirements per farm increased in the optimum plan for all the categories of farms in both situations. The capital requirements varied between 42.48 per cent and 61.09 per cent in Plan P_3 over Plan P_1 in different categories of rural-influenced farms. It varied between 38.61 and 57.15 per cent in the case of urban-influenced one. The increase in the overall capital requirements was the highest on the small rural farms. In case of urban-influenced farms, it was the highest on medium farms followed by small, large bullock-operated and large tractor-operated. A similar trend in the increase in capital requirements was revealed as one moved from Plan P_1 to Plan P_3, but capital requirements decreased increase in farm size in Plan P_3 with over Plan P_2.

per farm requirement

Per farm capital requirements were Rs 1961.61, Rs 3942.92, Rs 7533.99 and Rs 13191.39 on small, medium, large bullock-operated and large tractor-operated farms of rural areas respectively for Plan P_1. The corresponding figures for urban influenced farms were Rs 2350.85, Rs 3503.11, Rs 7956.28 and Rs 16431.82. Thus the study indicated that capital requirements of all categories of urban farms were higher than the rural-influenced farms. Capital requirements in Plan P_2 were Rs 2898.76, Rs 5300.01, Rs 11041.42 and Rs 19005.65 on small, medium, large bullock-operated and large tractor-operated rural influenced farms. In the case of urban-influenced farms if one takes to new technology with existing cropping pattern, one has to spend Rs 1000.77, Rs 1651.66, Rs 3159.47 and Rs 5801.24 more on small, medium, large bullock-operated and large tractor-operated farms respectively over Plan P_1. With the adoption of Plan P_3 the capital requirements further increased on urban-influenced farms by 8.73, 6.79, 3.02 and 2.44 per cent on the small, medium, large bullock-operated and large tractor-operated farms respectively. The respective figures for rural influenced farms were 9.01 5.99, 9.50 and 4.41 per cent.

The capital requirements were higher in rabi season as compared to kharif season in both the farm situations. The reason for this may be that the capital needs of the irrigated rabi crops were more than the kharif season crops.

Per acre capital requirements revealed that it had positive correlation with the size of holding in both the farm situations. The reasons for this may be: (1) that the imputed value of family labour was not included for capital requirement estimation of all categories of farms as it was simply going to augment the capital requirements which, in fact, were not paid to the family labour and (2) the study revealed that the per acre expenditure on permanent labour on small farms of urban and rural areas was nil and it increased with the size of farm. The increase in capital requirements on per acre basis with the change from existing cropping pattern and optimum technology was Rs 171.01, Rs 153.31, Rs 204.32 and Rs 227.20 on small, medium, large bullock-operated large and tractor-operated farms of rural areas respectively.

higher use of inputs

The urban-influenced small, medium, large bullock-operated and large tractor-operated farms spent 42.57, 47.06, 39.71 and 35.30 per cent more respectively when they moved from Plan P_1 to Plan P_3. The study showed that the per acre capital requirements of rural large bullock-operated farms were 60.48 per cent more when they adopted Plan P_3 over Plan P_1. The corresponding figure for urban influenced farms was only 43.93 per cent. The study showed that the present level of use of inputs on urban-influenced farms was higher than that of rural-influenced farms.

The credit requirements are presented in Table III. The financial requirements from external agencies increased by 161.61 per cent if optimum cropping pattern with optimum level of technology was adopted as compared to present Plan P_1 on the small rural farms. However, in other categories of rural-influenced farms, the increase varied between 111.44 to 127.71 per cent. The percentage increase in the credit requirements with the change in crop-mix and optimum technology on urban influenced farms was 247.50, 344.54, 169.87 and 80.07 on small, medium, large bullock-operated and large tractor-operated farms respectively. The study revealed that the short-term credit requirements of all categories of urban farms, except in the case of tractor-operated farms, was much less than the rural farms. This is an indication of the fact that the urban-influenced farms have more owned funds as compared to rural-influenced ones. Per acre credit requirements of rural-influenced farms were Rs 139.62, Rs 153.31, Rs 241.61 and Rs 236.00 for Plan P_1 and increased to Rs 358.44, Rs 342.69, Rs 482.79 and Rs 501.76 on small, medium, large bullock-operated and large tractor-operated farms respectively. On urban influenced farms the per acre short-term credit requirements were worked out to be Rs 100.93, Rs 69.91, Rs 116.40 and Rs 243.44 in Plan P_1 for small, medium, large bullock-operated and large tractor-operated farms respectively. Respective figures for Plan P_3 were Rs 334.18, Rs 312.18, Rs 327.51 and Rs 440.92.

Thus, the per acre credit requirements, on all the four categories of farms in both the situations, in rabi season were higher as compared to kharif season. On rural-influenced small farms credit requirements increased

TABLE I

Existing and Optimum Cropping Pattern for Urban and Rural Influenced Farms under Different Farm Categories (in Acres)

	Urban influenced								Rural Influenced							
	Small		Medium		Large bullock		Large tractor		Small		Medium		Large bullock		Large tractor	
	P1	P3	P1	P3	P1	P3	P1	P3	P1	P3	P1	P3	P1	P3	P1	P3
Kharif																
Desi maize	2.78	0.50	2.36	0.70	4.68	1.30	10.54	3.00	2.06	0.75	3.63	1.00	5.95	3.10	11.89	4.73
Hybrid maize	0.49	2.50	0.93	2.50	2.94	4.00	6.76	10.10	0.72	1.70	1.24	3.00	3.13	6.00	5.16	9.50
Desi cotton	0.40	0.55	0.67	1.20	1.63	2.00	3.52	3.50	0.62	1.00	1.12	1.50	2.43	3.00	3.46	4.00
Sugarcane ratoon	0.10	0.25	0.46	0.70	0.58	0.93	0.62	10.05	0.21	0.35	0.26	0.43	0.41	0.77	0.67	1.04
Sugarcane planted	0.25	0.50	0.70	0.80	0.93	1.12	1.05	1.45	0.35	0.40	0.43	0.57	0.77	0.83	1.04	1.16
Kharif fodder	1.28	1.00	2.58	1.30	4.59	5.00	7.61	9.00	1.14	0.90	1.52	1.20	2.13	1.80	2.11	1.90
Toria	—	—	—	0.50	—	1.00	—	2.00	—	-	--	0.50	—	1.00	—	2.00
Groundnut (unirrigated)	0.90	0.90	1.20	1.20	2.63	3.75	4.31	5.00	0.70	0.70	1.10	1.10	2.52	3.00	2.30	2.30
Fallow	—	—	—	—	1.12	—	0.69	—	—	—	—	—	2.16	—	—	—
Rabi																
Wheat KS 227	3.31	2.80	2.95	4.00	6.46	7.00	14.93	16.10	3.13	2.50	5.37	4.60	8.98	10.90	15.12	15.00
Wheat PV-18	0.77	1.35	1.03	1.60	2.61	3.30	6.43	6.50	0.36	1.35	0.88	2.00	3.96	3.00	5.05	6.73
Berseem	0.52	0.40	1.78	0.60	3.13	3.00	5.79	5.00	0.63	0.50	0.75	0.60	1.17	1.00	1.33	1.10
Toria	0.35	—	0.78	—	1.04	—	1.28	—	0.42	—	0.51	—	0.85	—	1.12	—
Gram (unirrigated)	—	—	—	—	1.12	—	0.69	—	—	—	—	—	0.48	—	—	—
Fallow	0.90	0.90	1.20	1.20	3.23	3.75	4.31	—	0.70	0.70	1.10	1.10	2.88	3.00	2.30	2.30

Note :—The cropping pattern for Plan P1 and Plan P2 is same.

from Rs 42.22 to Rs 160.06 in kharif season, whereas the credit requirements in rabi season rose to Rs 198.36 from Rs 97.40. The per acre credit needs were Rs 17.66 and Rs 83.27 for kharif and rabi season respectively on urban-influenced small farms in Plan P_1. The corresponding figures for Plan P_3 were Rs 158.98 and Rs 175.20. This shows that crops in rabi season are more capital-intensive as compared to kharif crops.

The empirical finding of this study indicate that even at the existing level of technology use there exists a large potential market for credit which could be increased by three times as a result of adopting optimum cropping pattern and optimum technology in both the areas. It could also be seen that the short-term credit requirement would be more on rural farms as compared to urban influenced farms. Therefore, more efforts have to be made to extend credit facilities to the farmer of rural areas in order to harvest the fruit of improved technology.

TABLE II

Capital Requirement for Optimum Farm Plans in Rural and Urban Influenced Farms

Category		Kharif		Rabi		Total		Percentage change in capital requirement in successive Plans	Percentage change in capital requirement in P_3 over P_1
		Per farm	Per acre of cropped area	Per farm	Per acre of cropped area	Per farm	Per acre of cropped area		
Rural Influenced									
Small	P_1	804.88	138.77	1156.73	226.80	1961.61	365.57	47.77	
	P_2	1343.33	231.60	1555.43	304.94	2898.76	536.58		61.09
	P_3	1488.48	256.63	1671.66	327.77	3160.14	584.40	9.01	
Medium	P_1	1660.35	178.53	2282.57	278.36	3942.92	456.89	34.41	
	P_2	2505.18	269.37	2794.83	340.83	5300.01	610.20		42.48
	P_3	2667.36	286.81	2950.59	359.82	5617.95	646.63	5.99	
Large bullock operated	P_1	3340.95	192.67	4193.04	252.28	7533.99	444.95	46.55	
	P_2	5230.01	301.61	5811.41	349.66	11041.42	651.27		60.48
	P_3	5988.70	307.11	6102.16	369.82	12090.86	576.93	9.50	
Large tractor operated	P_1	5754.23	216.08	7437.16	305.68	13191.39	521.76	44.07	
	P_2	9071.45	340.65	9934.20	408.31	19005.65	748.96		50.43
	P_3	9143.01	343.04	10701.68	447.21	19844.69	790.25	4.41	
Urban Influenced									
Small	P_1	1084.52	174.92	1266.33	238.93	2350.85	413.85	42.57	
	P_2	1655.14	266.96	1696.48	320.09	3351.62	587.01		55.01
	P_3	1890.67	304.95	1753.55	330.84	3644.22	635.79	8.73	
Medium	P_1	1595.35	179.25	1907.76	244.58	3503.11	423.83	47.06	
	P_2	2336.84	262.56	2817.93	361.27	5154.77	623.83		57.15
	P_3	2504.80	281.43	3000.46	384.67	5505.26	666.10	6.79	
Large bullock operated	P_1	3908.22	216.88	4048.06	255.07	7956.28	471.95	39.71	
	P_2	5555.36	308.28	5560.39	350.37	11115.75	658.65		43.93
	P_3	5620.87	294.28	5831.15	379.87	11452.02	674.15	3.02	
Large tractor operated	P_1	8103.35	235.49	8328.47	270.58	16431.82	506.07	35.30	
	P_2	11246.05	326.82	10987.01	356.95	22233.06	683.76		38.61
	P_3	11066.38	315.52	11710.57	389.05	22776.95	704.57	2.44	

TABLE III

Short Term Credit Requirements for Optimum Farm Plans in Rural and Urban Influenced Areas

Category		Kharif		Rabi		Total		Percentage change in credit requirements in successive Plan.	Percentage change in credit requirements in P_3 over P_1
		Per Farm	Per Acre	Per Farm	Per Acre	Per Farm	Per Acre		
Rural Influenced									
Small	P_1	244.88	42.22	469.73	97.40	741.61	139.62	126.37	
	P_2	783.33	135.06	895.43	175.57	1678.76	310.63		161.61
	P_3	928.48	160.08	1011.66	198.36	1940.14	358.44	15.57	
Medium	P_1	485.05	52.51	826.57	100.80	1311.62	153.31	103.47	
	P_2	1329.88	142.99	1338.83	163.27	2668.71	306.26		127.71
	P_3	1492.06	160.43	1494.59	182.26	2986.65	342.69	11.90	
Large bullock operated	P_1	1771.22	102.14	2318.04	139.47	4089.26	241.61	85.77	
	P_2	3660.28	211.08	3936.41	236.85	7596.69	447.93		111.44
	P_3	4418.97	226.61	4227.16	256.18	6646.13	482.79	13.81	
Large tractor operated	P_1	2495.23	93.70	3462.16	142.30	5957.39	236.00	97.60	
	P_2	5812.45	218.27	5959.20	244.93	11771.65	463.20		111.68
	P_3	5884.01	220.66	6726.68	281.10	12610.69	501.76	7.13	
Urban Influenced									
Small	P_1	109.52	17.66	441.33	83.27	550.85	100.93	181.63	
	P_2	680.14	109.70	871.48	164.43	1551.62	274.13		247.50
	P_3	985.67	158.98	928.55	175.20	1914.22	334.18	23.37	
Medium	P_1	290.35	32.63	290.76	37.28	581.11	69.91	284.23	
	P_2	1031.84	115.94	1200.93	153.97	2232.77	269.91		344.54
	P_3	1199.80	134.81	1383.46	177.37	2583.26	312.18	15.70	
Large bullock operated	P_1	967.47	47.69	1090.41	68.71	2057.88	116.40	153.53	
	P_2	2614.61	139.09	2602.74	164.01	5217.35	303.10		169.87
	P_3	2580.12	140.32	2873.50	187.19	5553.62	327.51	6.45	
Large tractor operated	P_1	4096.35	119.05	3828.47	124.39	7924.92	243.44	73.20	
	P_2	7239.05	210.38	6487.01	210.76	13726.06	421.14		80.07
	P_3	7059.38	201.37	7210.57	239.55	14269.95	440.92	3.96	

Rural marketing

Yagdish L. Grover

The author, a lecturer in Business Administration in B.N. Chakravarty University, Kurukshetra, advocates consumer research in rural areas of this country for finding a market for the industrial products which are currently piling up with the manufacturers and the wholesalers as well as the retailers. He is of the view that education of the consumers in the use of a product in these areas is absolutely necessary for creating loyal customers.

ONE OF the most familiar sights that meets the eye every morning in the newspapers these days is the plethora of advertisements about slashing of prices and availability on easy instalments of various goods, particularly consumer durables such as refrigerators and coolers, radios and television sets, sewing machines and electric fans. Similar is the case with many of the semi-durables such as ready-made garments, textiles and sarees. This trend has been markedly visible for the past one year or so.

If we examine the reasons leading to the above situation, the following points need to be immediately mentioned:

(a) Increased production of all goods, specially after the emergency (which brought about industrial peace);

(b) Increased competition;

(c) The general effort of manufacturers to reduce prices in keeping with the objectives of the prime minister's 20-point programme;

(d) Slow growth in money supply, partly because of the stricter watch by the government on luxurious spending, specially among the urban rich; and

(e) Reduction in excise duties on several items.

welcome reduction

The reduction in prices and availability on instalments of the so-called luxury goods is most welcome from the point of view of those consumer sections of society who could not afford them earlier. However, manufacturers and wholesalers as well as retailers are not in a happy position as stocks continue to pile up.

The overall impact of all the measures taken by the governmant is that in the past one year, the sellers' market has yielded place to one of buyers' market, compelling trade and industry to take serious note of this drastic and sudden change, which has caught some of them unawares. And, as someone very aptly put it, "Obvious crises are the easiest to meet; the deepest challenges to men are those that emerge imperceptibly; that derive from fundamental changes, which, if not addressed, portend upheavals in the future."

buyers' market

The above shift in the market situation was noted by leaders of business and industry, at the last session of the Federation of Chambers of Commerce and Industry, held in New Delhi in May, 1976. Delegates to the session noted that producers had little inducement, as long as the sellers' market had prevailed, to devote much thought and resources to marketing. With the demand for almost everything way ahead of supply, goods had virtually sold themselves and buyers had to take what was available and pay the prices asked for. As Mr Sudhir Jalan of Calcutta put it, "No longer could producers sit back and take it easy, confident that their goods would be snapped up by eager buyers. Buyers had to be 'sought out, persuaded, cajoled and induced to buy." He further observed that "industrial units afflicted by recession, accumulating unsold stocks and declining profitability were only paying the penalty for prolonged indifference to and neglect of marketing."

On the other hand, one may mention that even in the face of current recession there were instances of units continuing to flourish, virtually unscathed by lack of demand, the secret of success being their ability and foresight to build up an extensive rural base for their products.

awakened businessmen

It is heartening to note that businessmen in India have, at last, started realising that for the sheer survival and prosperity of their respective businesses, the consumers can no longer be neglected (as in the past), and deserve a better deal.

The most important question facing the manufacturers today is: 'How to effectively meet the challenge of the buyers' market?' While many industries are making frantic ad hoc efforts to meet this new situation, through crash selling and similar other means, yet the question is of far-reaching import and therefore demands serious, searching analysis, both from short-term and long-term point of view.

Since the scope of the subject is quite wide, this article is confined to discussion of only one of the possible solutions, though it may, perhaps, turn out to be the most significant and profitable, particularly from a long-term perspective. This aspect, namely the building up of a rural market, was mentioned at the FICCI session also, and has been the subject of debate at some other forums as well. Yet a systematic and concerted effort in this direction has been woefully missing.

The increase in agricultural production during the past years has been phenomenal, bringing about more and more prosperity to the rural masses. The rural incomes have been continuously rising, and if the present trends continue, these are expected to rise at a still faster rate in the future. The various steps taken by the government will improve the situation further.

For instance, one of the biggest drains upon the income of the Indian villager, for the past several decades, was that of repayment of old debts and loans. With the liquidation of rural indebtedness as a part of the 20-point programme, this curse has been lifted from the farmer's head, which will make available to him a fair amount of disposable income for discretionary spending.

rising incomes

Similarly, the provision of land and houses to the rural landless people, and the statutory increase in the minimum wages of agricultural labour, will also raise rural incomes.

The time is therefore ripe for the intelligent marketeer to capitalise on this increased prosperity of the rural market.

For the successful exploitation of the rural markets (and for that matter, any market), an adequate infrastructure is a basic prerequisite. The absence of such a satisfactory infrastructure in Indian conditions has been a major hurdle in the marketeer's efforts to enter the rural markets.

Some of the important facilities needed for the above purpose are:

(a) Proper transportation system;

(b) Better and speedy communication facilities;

(c) Development of regulated markets linking village hinterland;

(d) The availability of banking facilities, suitably adapted to meet the requirements of the rural customers.

These aspects did not receive the necessary amount of attention in the past. Fortunately, after the emergency, and specifically under the 20-point programme, the foregoing aspects have been given primary importance. Some states, notably Punjab and Haryana, have given top priority to rural electrification and rural transportation. Both will lead to faster and more efficient communication. Other states are also taking similar steps. Rural banks have already started functioning in numerous villages and many more are fast coming up. Similarly, rural education programmes and rural medical care facilities are receiving the urgent attention of all concerned. The availability of TV programmes through SITE is making the rural people more knowledgeable. The development of and improvement in the distribution system is also being attended to more vigorously.

Thus, at least in some of the regions, the necessary infrastructure facilities are either now available or are fast coming up. From this point of view also, it is an opportune time for the innovative marketeer to take the initiative of entering the rural markets in a big way.

consumer research

The starting point for any and all marketing activity should be consumer research, an in-depth analysis and study of customer attitudes and behaviour. In this country, where research on consumer behaviour has been nominal, not much systematised information is available about the rural consumers. Only a few enlightened companies, known for their marketing orientation, namely Hindustan Lever, Philip India, Larsen and Toubro, and some others have made concrete efforts in this direction. But, by and large, we have still to understand the rural buyer, his habits, attitudes and behaviours, particularly from a marketing point of view. For instance, one hypothesis is that the rural buyer is not very discriminating. Once he is persuaded to buy a particular product, he develops a strong affinity for it and, if satisfied, becomes brand loyal. A contrary view is that the rural buyer, being skeptical of the marketeer's hard-sell techniques, is quite discriminating and not easily persuaded. Yet another hypothesis is that the rural customer is not so keen about cheap goods as about quality and good packing. Some other similar assumptions can be quoted. But all these need a deep probe for arriving at valid and reliable conclusions. At the same time, other aspects such as product research and advertising research need to be earnestly undertaken. The careful marketeer will do well to undertake the necessary surveys and research before trying to enter the rural segments of the market.

formidable challenge

It is not an easy task by any means. India is a country where numerous diverse cultures, with different historical and traditional backgrounds, thrive. With the level of economic prosperity differing widely from place to place, marketing in the face of such heterogenous complexities, is undoubtedly a formidable challenge for the marketeer in India.

A consumer who knows how to use a product will derive maximum benefit from it and thus enjoy maximum satisfaction. A satisfied customer soon becomes a loyal customer, and helps in word-of-mouth promotion of the product and the manufacturer.

While the rural population is now more prosperous and literate, yet it needs a lot of education about the use and maintenance of most of the durable goods like tractors, diesel engines, motor cycles, sewing machines, radios, and so on. When such products as refrigerators and TV sets enter these markets, their proper use, care and maintenance will again need considerable prior education.

It would accordingly be incumbent upon the manufacturers to educate the rural buyers, particularly about product use and maintenance, through informative literature, well-trained salesmen and proper labelling. As a preliminary preparation, the manufacturers should start giving serious thought to this aspect, if they wish to succeed in the rural markets.

The foregoing analysis would shows that one of the most promising and effective methods for meeting the challenge of a buyers' market is through proper development and nurturing of the fast emerging rural markets. In the words of Mr J.R.D. Tata, "if only 10 per cent of rural society become regular buyers of industrial products, the industrial goods will have five crores of new customers added to their present market." Understandably, it is quite an uphill task. The cost and efforts of selling in thousands of widespread villages would be far greater as compared to the effort needed for marketing in urban areas. Yet, in the long run, this could perhaps be the most far-sighted policy decision for Indian industry, and in this may lie their own survival, growth and profitability, as well as that of the nation. To start with, let the marketeers attend to those small towns, where people from surrounding villages come and which are therefore akin to village markets.

It is also the best opportunity that Indian industry has for raising the standard of living of the long-neglected rural masses, and thus helping in the realisation of the objectives of a socialistic society in this country. One can best sum up by qouting the managing director of Hindustan Thomson Associates Ltd. In his words, "Most of the newly created rural wealth lies buried under the pillow of the villager, and to knock at the door of this yet untouched rural market, is the most exciting development in marketing in India." The time to knock is now.

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Happy new thousand years

Peter Adamson

The date is January 1st 2000 AD and every newspaper in the world is looking back on 2000 years of human history. This article surveys the most momentous chapter in the story—the history of the years 1975 to 2000.

WINDOW ON THE WORLD

THERE is not a newspaper editorial in the world which can resist the temptation to indulge in a sentimental survey of the 2000 years of human history which ended at midnight last night. And this newspaper is no exception.

As twenty centuries could be a little heavy on the digestion, as you sit down to your first breakfast of the millenium, let us pick up the threads only a quarter of a century ago and use the vantage point of this magical date, January 1st 2000, to gain some perspective on what has happended in the last twenty five years. For who could deny that it was the most momentous chapter in the human story?

Almost half the people in the world this morning were not born 25 years ago. To them 1975 is just a date from the dark age. And as much of what follows is in defence of the 'dark decade', let it be admitted straightaway that the general darkness is not in doubt.

Historical records for the mid 1970's, although inadequate, tell us that 30 per cent of the world was malnourished; that perhaps as many as 10,000 people were dying of hunger every day; that 70 per cent of the world's people did not have reliable supplies of safe water; that almost half the world did not have any medical care to speak of; that one child in three had no school to go to; that perhaps as many as 300 million did not have useful and rewarding work to do; that 75,000 people were leaving the countryside every day to join the uncounted millions living in squalor on the edges of the cities; that over 600 million old-dollars were being spent on armaments every twenty-four hours; and that, in the midst of this misery of the majority, the 1970's also saw some of the most conspicuous consumption ever indulged in on this planet before or since.

Glowering down on this gross violation of a sustainable relationship between peoples, was an equally gross violation of the relationship between the people and the planet, the earth's resources were being depleted and its environment polluted at a rate which, had it continued, would have left little by way of legacy for the first child of the new millenium pictured on the front page this morning.

Unfashionable as it may be today to whisper a word in defence of those days, it ought to be said that it was the 1970's, also, which gave birth to the basic ideas of today's conventional wisdom and to the institutions which now embody it.

many firsts

The first ever World Environment Conference, for example, was held in 1972 in Stockhom. The first ever World Food and Population Conferences were held in 1974 in Rome and Bucharest. The first World Employment Conference met in Geneva in 1976 under the auspices of the International Labour Organisation, as it was then known. The first World Water Conference met in Argentina in 1977, and in the same year the first ever World Desertification Conference was convened in Kenya and the first World Environmental Education Conference opened in the Soviet Union.

Seven 'firsts' in five years show that something was stirring in the darkness.

These first conferences, compared with their descendants today, were clumsy affairs held in different languages and run according to unwieldy traditional procedures which had not changed for hundreds of years. But when we smile at these ponderous proceedings on the old films which are now so much in vogue, we should also recognise them as the beginning of the end of the dark age.

For from these first world conferences, and all that surrounded them, a consensus was struggling to be born.

This embryonic consensus of the 1970's has two parents. One was the realisation that the great crises of environment, food, population and

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unemployment, were not accidentally coinciding aberrations from an otherwise well-adjusted system, but different symptoms of a common disease—chronic inequality.

That first World Environment Concerence, for example, analysed two environmental crises—the crisis of 'too much' in the Northern Hemisphere and the crisis of 'too little' in the Southern Hemisphare. In that now classic work ',Only one Earth", prepared for the first Environment Conference, Barbara Ward and Rene Dubos wrote "that there is an essential and inevitable element of redistribution of resources underlying the problem of the environment."

The first World Food Conference also pointed its finger at this same inequality. The Food and Agriculture Organisation announced that "the food crisis is a crisis of price and distribution" and a well-known contemporary commentator, Frances Moore Lappe, summed up the proceedings by saying "it is clear that if the world's agricultural resources were distributed at all equitably or used at all rationally there would be enough food to go round now."

forging the link

At Bucharest in the same year, the World Population Conference, forged its link in the chain which bound world crises to world inequality. It told an often defiant public opinion that rapid population growth was a function of poverty. It publicly learnt and taught the lessons that children were a necessity when work was hard, illness came often, old age came early, and security came never. Lester Brown said at the time "There will be little change of bringing birth-rates down rapidly enough to avert disaster without a more equitable distribution of goods and services."

In the following year, the World Employment Conference completed the quadrant. It may surprise some to know that the man who organised that conference was none other than Louis Emmerij, a young man of 38 at the time. Summing up the tragic unemployment situation in the mid 1970's, he was to say tersely "inequality equals unemployment."

old economic order

If one parent of the emerging consensus was the realisation that inequality linked the great crises of the age, the other was the realisation that inequality itself was no historical accident or geographical phenomenon, but rather an inevitable product of what we now call the Old Economic Order.

As we all prepare, in our different ways, for the 43rd Special Session of the United Nations General Assembly in March, we should remember that it was at those early 6th and 7th Special Sessions, in 1974 and 1975, and at the fourth UNCTAD Conference in Nairobi the following year, that the dominant forces of the dark age, the concepts, the yardsticks, the very methods of Old Economic Growth received the sharp cuts across the wrist which, although shrugged off with a wince at the time, finally bled the Old Economic Order to its slow death.

It was then that a phalanx of southern politicians pressed the point that 80 per cent of the increase in the world's Gross International Product, as wealth was then measured, was accruing to the already rich. It was there that it was widely recognised that the structures which, generated wealth were not neutral as to its distribution and that the quaint concept of 'trickle-down' was constipated. "It is now clear that more than a decade of rapid economic growth in underdeveloped countries" said Hollis Chenery, at the time a senior economist with the World Bank, "has been of little or no benefit to perhaps a third of their population."

Parented by these two great principles, the emerging consensus of the 1970's was eventually to bring about a greater change in our concept of civilisation than any that has occurred in the 2000 years of history just ended. For at long last, the idea that the poor will always be with us and that equality is a utopian ideal, was being widely challenged by the idea that equality was a practical necessity and that the basic needs of all could and must be met. A shift in civilisation had begun to occur, a shift from the philosophy of every man for himself and survival of the fittest to the philosophy of every man for every other man and survival of them all.

From then onwards, it began to be strenuously argued that Old Economic Growth must give way to the meeting of basic needs for all as the aim and measure of development and that without redistribution of resources and future opportunities the great crises could not be solved.

revolutionary idea

It is difficult for us to appreciate how revolutionary that idea was in the mid 1970's. It cannot but seem surprising that it should take so many years, so many great minds, and so many misspent dollars, to discover that development means meeting the basic needs of everybody for food, shelter, clothing, housing, medical care, education and employment. After all, there were at least 2 billion people in the world, many of them actively looking for a job, who would have been glad to act as consultants on this question and who could have reached the same conclusion much more quickly and for a much lower fee. But they were not asked.

Those early Special Sessions of the United Nations General Assembly took up the heartbeat of that embryonic consensus and begun the laborious process of giving it birth. Baptised initially as the New Economic Order, it was at first a week and orphaned child and no one gave much for its chances of survival. But as the 1970's wore on into the 1980's, the child began to put on weight and adoption procedures were begun.

The story of how this New Economic Order became the new relationship of today is too recent to bear the detailed telling. The important point is that there was no one blueprint. There were bloody revolutions and peaceful reforms, civil wars and negotiated transitions, acts of terrorism and acts of heroism.

And most of all there were what we now euphemistically call 'corrective catastrophies'. We accommodate and tame our horror of these not-too-distant disasters by abstracting them into acceptable analogies about pain being the body's warning or the necessary accompaniment of a new birth. But lest we ever forget, it was we who benefited from the warning and others who paid the price.

principles of equality

By the end of the dark decade, it was no longer possible to suppress discussion and action on the obvious fact that the principles of equality embodied in the New Economic Order were as relevant and necessary within nations as they were between them.

And by the 1980's, the 'Grand Analogy' emerged to trace the fundametal fault-line which ran right through the old relationship between developed and developing nations, men and women, employers and employed, cities and rural areas, government and governed, black and white, and perhaps most of all, between people and the environment. The realisation that, in each of these relationships, the greater power of the dominant partner was being used to subject the needs of one to the wants of the other, paved the way, not without cost, to our new relationship which so preoccupies us today.

Under the new relationship, it began to be realised that all problems were not convergent, could not be computerised or solved by hardware, and would not yield to science and technology alone. We began to appreciate that going to the Moon was a very big step for a man and a very small step for mankind. And we began to realise that the divergent problems, the problems of how peoples and societies relate together harmoniously, were the difficult problems in the solution of which we were no further forward than the ancients who pondered these matters before the last two millenia began.

Within these broad concepts, diversity and complexity came to be seen not as nuisances but as necessities—just as they are in the natural world.

In fact all along this turbulent path, it has become clearer and clearer that the state of our local and global environment is a guide to the new and uncharted path that the world is embarking on the troubled process of redistribution and of new growth is being blessed and encouraged by the response of the environment. For in the continuing drive towards redistribution and the meeting of basic needs, the pattern of production is gradually shifting away from ever-increasing environmental pollution and resource depletion. The people of the old-rich nations are slowly beginning to change from old growth with its necessary obsolescence and waste, its inbuilt need for ever-increasing consumption, and its use of the natural world as a 'cost-free' disposal system, to the new growth which counts nature's cost and lists durability and conservation on the credit side of its ledger.

Meanwhile the people of the Southern Hemisphere are beginning to use their increased consumption power not to pollute the environment and deplete resources at unsustainable rates by buying motor cars and the myriad products of old growth industries, but to meet such basic needs as food, shelter, sanitation which, by definition, require sound environmental management.

Increased purchasing power for more than one billion very poor people is making it possible for them to buy and grow more food. And it is inevitably creating a demand for more basic goods which can and are being met with local resources and local skills, so reducing the dependence inherent in the old relationship and increasing employment in the way Louis Emmerij had said that it would in the dark days

Eastern Economist 30 Years Ago

JULY 26, 1946

Agricultural Economics was for long a by-product of the technical researches into the basic agricultural sciences. Many of the bulletins issued by the agricultural research stations, detailing the results of technical experiments, expressed authoritative opinion on the profitability or otherwise of the adoption of their suggestions. A chemist, for example, who found the sugar content of beets normal in a given locality, would at once proceed to draw the conclusion that sugar beets should and could profitably be grown in that part of the country. As the exchange of economy developed, the illogicality of such inferences became apparent. Consequently the Departments of Agriculture specially in the United States, began organising inquiries into the quantities produced per acre, the cost of production and marketing, the relative profitability of alternative crops, tariffs, tenures and all such matters. It is only such total knowledge that can enable a scientist to draw a really valid conclusion. It is this realization that has compelled the United States Department of Agriculture to organise a regular Bureau of Agricultural Economics, which, short of the highest political level, has almost the final say in the determination of agricultural policy.

of 1976. And the effect of basic needs beginning to be met has started to justify all the claims of the first World Population Conference, claims which seemed so incredible at the time.

As everyone knows, these great problems are not yet solved. There is still poverty and inequality and they are inevitably still accompanied by strife and violence. These issues rightly dominate the headlines. But on this first day of the 21st century, it is surely not inappropriate to indulge for once in a small celebration in honour of the fact that the nearness to the brink was noticed, that the points have been thrown and the human train switched on to a track with a future.

East European economies continue to borrow from the west

E. B. Brook, Vienna

This report from Vienna says that the east European countries are trying to curb consumer demand by raising prices while continuing to spend heavily on defence and industry. The debts incurred by the east European countries from western Europe have risen enormously causing problems of servicing the loans. The west European economies are keen to curb inflation but without letting unemployment rise.

MIDSUMMER AND the holiday season combine to make this a time in which nothing remarkable happens in Europe, largely because no one wishes anything to happen. But more than this general languor is required to explain why nothing particular moves forward anywhere. The British have a sterling crisis early in June; there is a patching loan, a small recovery and monetary crises pass into slumber. The Italians have another economic crisis and an election, and — until the next time — all is quiet in Rome. With two prosperous big powers, the USA and West Germany, effectively out of the international ring with domestic elections till, in practice, the new year, 1976 is going to be a year of do nothing in particular.

Joining in the mood, east Europe is also quiet. The East Berlin conference of the European communist parties ostensibly rebuffed the Soviet Union for intervening in their affairs in the name of international solidarity. The fact that none of this rebuff was reported in the Soviet press means that the Soviet people are unaware of it, that Moscow tactfully ignores some ill behaviour by its younger brothers while it lays the groundwork for a world communist conference which it believes can be managed much more easily than a European conference, especially since it is to be held in Moscow's most needy friend, Outer Mongolia.

But this political ploy does cover the facts that Poland recently ran close to a repetition of the northern ports' riots of 1971 that overthrew the then party secretary, Gomulka, because domestic prices rose out of all control. Nor does it disguise food price increases in Hungary—30 per cent for meat and fish and 20 per cent for poultry. In both countries the increased prices have been set to reduce the cost to the state of subsidizing food. But, whereas the Poles forgot to give compensations, all Hungarian employees and pensioners will be given another 60 forints (about $ 3) to balance the sum they must take from their pockets.

About all, party peace does not obscure the stiffer terms east European countries and Comecon are having to accept every time they seek to borrow money from west Europe. Since east Europe remains a steady borrower—$ 2.5 billion in syndicated loans from western banks last year and at least two-thirds of that amount already borrowed from banks so far this year—east Europe continues the process of settling steadily deeper into debt, and on harder terms. With total loans of $ 22.5 billion in 1974 and of $ 32 billion last year from western banks for all east Europe—the Soviet Union's own debt is not less than one-third of the total—indebtedness is becoming a fast-growing economic tactic and US banks, which hold about 15 per cent of the total western banking credits to Comecon countries, are fast approaching the 10 per cent legal limit of reserves and capital that can be assigned to any one borrower.

mounting debts

With a growing burden of loan servicing, debts and a politically restive following within the Warsaw Pact and Comecon, the Soviet Union may be expected for a time to join the general pattern of relative quietness which pervades today. The problem in the east is how to curb consumer demand while continuing to spend heavily on defence and industry. The problem in the west is how to restrain inflation without, at the same time, letting unemployment grow to dimensions socially dangerous. The decisions reached by the OECD in Paris and by the powers at Puerto Rico to pursue a go-slow policy over economic recovery were inspired by the same fear that a go-ahead drive for exports, industrial production and anything like a free-for-all in trade would quickly exhaust the limited capacities of industrial production, leading to shut-downs and more employment. The Swiss National Bank's placing sharply higher reserve requirements on commercial banks' foreign liabilities was very much in the same line—to avoid fuelling inflation through excessive growth in the money supply.

anti-trust cooperation

The same sentiment of caution moved the USA and W. Germany to sign an antitrust cooperation agreement aimed at facilitating the gethering of information on trusts' activities within their borders. The US is seeking similar agreements with the Common Market, Britain, Japan, Canada and Australia. The agreement is on the lines of the OECD recommendation on this subject and justifies a country in informing another government if it discovers a multinational is violating the laws of that government. That agreement amounts to a greater degree of governmental cooperation to restrain go-getting international business than has ever been known before.

Taken by itself the US-German agreement restraining multinationals, being based on OECD recommendations, is more than a two-state treaty. It is the first expression of the world's leading international economic organisation's fears on the subject of massive, multinational trading. It is also in line with the current mood of restraint and, to a point, of marking time. This check, coming tellingly almost at the same time as publication in London of the official report on the operations of the Lonrho company, marks a new attitude to the free flow of capital investment. Foreign capital has often been suspect in industrially developing countries; in the fully industrialized countries there is increasing lack of trust in an open investment climate, a lack caused by recent revelations of bribery and corruption, of direct intervention of foreign big business in the politics of a third country and this was the shock to many-within a European state. There is increasing wish for some such organization as the GATT for investment as well as for international trade. Governments of some two dozen industrial states have already laid down what they consider to be reasonable standards of business practice for companies which they should follow voluntarily.

The advantage of adaptable, adventurous initiative continues to lie with the great multinationals rather than with either governments or international political organisations. The former have received a rap over the knuckles they are well able to accept. Governments, the GATT itself and the Common Market—with another summit in session—are all making timid, insufficient steps.

The Market's offer in Geneva to cut tariffs on industrial goods as a contribution to trade liberalization falls far short of the US plan which aims mainly at reducing tariffs in the five-to-15-per-cent range, in which most of world trade is conducted. The Market's plan will not be applied to farm products and an invitation is made to less industrialized countries "to make a contribution at a later stage". The Market's plan reduces tariff by its own size, the process being repeated four times. In this way a 20 per cent tariff would, by four stages, be reduced to 10.28 per cent.

The Market has been accused by the new President of its Council, the Dutch Foreign minister Mr van der Stoel, of having moved back from its original attitude of "broadening, deepening and widening" to one of "standing still, moving back and flight". The recent record has been disappointing, with member states following policies which suit their own interests. There is no agreement over farm policies, there is division over new steel industry structures and over where the Market's apparatus to work on thermonuclear fusion—the possible energy source of the future—should be placed. National interests dominate. There is no great hope of agreement over a distribution of seats to the European parliament due to come to life, after elections in May, next summer.

What seems to be increasingly clear is that, as Greece and Turkey move towards Market membership and the number of south European members of the Market threatens to increase, several of the northern members, notably W. Germany, Holland and Luxembourg are moving together to defend their interest and industries against the southerners and, perhaps, not less against- a slowly renascent Britain and the weaker members of the Nine.

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Manager

Sweden and stability in exchange rates

Arne Linda

The author is a director of the Bank of Sweden. After tracing the history of monetary policies since the spring of 1973, he pleads for stability in exchange rates. He comes to the conclusion that a system of floating currencies is not the panacea which it has been claimed by many economists.

LIKE MANY other industrial countries with a big foreign trade sector, Sweden has for long been advocating foreign exchange arrangements implying exchange rate stability. Thus the breakdown of the Bretton Woods system in the spring of 1973 was, from a Swedish point of view, a major set-back in post-war economic cooperation. In the situation prevailing after these events it was natural to initiate discussions with the aim of participating on a technical level in the foreign exchange arrangements existing within the European Economic Community (EEC). As a result of these discussions Sweden joined the European currency arrangement (the so-called snake system) in March 1973. One important consideration behind this decision was the fact that by joining the system Sweden achieved stable exchange rates towards a group of countries accounting for no less than about 44 per cent of Sweden's foreign trade.

technical features

Although the main characteristics of the snake system are now well-known it might be useful to recapitulate in this context the technical features of the arrangement. First of all it implies that the exchange rate between two currencies in the snake cannot, at a given time, deviate by more than 2.25 per cent from the central rate in force between the two currencies. Since these central rates like the previous par values may be adjusted, the arrangement does not mean more stringent rules than in the Bretton Woods system where exchange rates were fixed but adjustable. Interventions by central banks take place at the margins but could also be effected inside these margins, normally after consultation with other participating central banks.

global context

In a system of this kind the position of the Swedish krona is of course determined not only by the balance of payments in relation to the other participating countries but also by Sweden's global balance of payments situation. The movements of the exchange rates within the snake are moderated by interventions by the central banks but reflect by and large the underlying market conditions. A further characteristic of the system is the fact that the snake currencies move jointly in relation to third currencies. Consequently, a participating country can get into a situation where its currency is being depreciated or appreciated in relation to third currencies at a time when such effects are not desirable.

An example of such a situation is the Swedish experience in the spring of 1974. At the time, owing to the strength of the German mark, the snake moved upwards involving an appreciation also of the krona in relation to currencies outside the snake in a situation where the balance of payments showed big deficits. In this situation rather considerable interventions were necessary and these were probably increased by revaluation rumours regarding the mark. However, it seems probable that even without a formal link to the snake like the one chosen by Sweden, a determined adherence to any form of managed exchange rate relation could have produced similar effects. Only in a system with clean floating could such effects be fully avoided.

By and large Sweden's participation in the system has functioned quite satisfactorily. The cooperation between participating central banks i.e. in the form of frequent exchanges of information has also proved to be of great value. Even if it is difficult to establish whether there have been smaller fluctuations of the krona also in relation to third currencies as a consequence of our participation in the snake system, we feel quite sure that by joining we have at least eliminated one factor of uncertainty in the exchange market.

basic aim

Our basic aim to stick to as stable foreign exchange arrangements as possible has naturally implied the acceptance of a particular framework for our monetary policy. When Sweden experienced rapidly increasing current account deficits in its balance of payments in 1974, at the same time as sudden outflows of funds not directly connected with current account developments took place, it was clear that the scope for monetary policy was similar to that which would have prevailed under the previously existing fixed rate system.

The size and character of the disturbances in Sweden's balance of payments and the prevailing sluggish economic conditions abroad justified an economic policy somewhat different from the policies pursued in many other industrialized countries. Instead of concentrating on an immediate reduction of the current account deficit by means of deflationary measures the Swedish authorities opted for a somewhat expansionary policy in order to secure a high level of employment and capacity utilization, while accepting the external deficits concomitant with such a policy. In order to finance those deficits monetary policy was designed to provide Swedish industry, local authorities, banks and other intermediaries with incentives to borrow abroad. This necessitated also certain amendments in our exchange control regulations which had so far been very restrictive with regard to foreign borrowing. This policy had effects through limited availability of credit and rates of interest which were high relative to those prevailing abroad.

fall in exports

During 1975, however, the unexpectedly weak development of demand abroad led to a significant reduction in Swedish exports. In order to compensate for this shift in demand financial incentives were provided to stimulate business fixed investment and production for stocks. These measures were combined with an accommodating monetary stance. An overall easing of credit was, however, not considered desirable. Instead the easing of monetary conditions was given a selective nature, concentrated on the needs of industry to extend its capacity and to produce to an increased degree for stocks. Short term interest rates were reduced on two occasions, in August 1975 and January last. The economic situation in Sweden required such measures and the development of interest rates abroad and the build-up of reserves that had taken place during 1975 permitted such steps.

Our traditional aim in the foreign exchange field has been an incentive for us to work in the context of international monetary reform for a return as soon as possible to a global system with fixed (but adjustable) exchange rates. The final result reached in Jamaica in January certainly does not represent any decisive step in this direction as the agreement implies a legalization of the present arrangements with floating exchange rates.

On the other hand, in the present situation the result should be considered as a reasonable framework for a gradual move towards such a system. It is, however, important that the general and specific obligations of the new Article IV of the Fund Agreement should be effectively applied. Of particular importance is the ruling out of practices implying manipulation of exchange rates in order to gain unfair competitive advantages and also the general rules for consultation and surveillance of members' practices.

At the same time one must strongly welcome the understanding reached on practical arrangements aiming at closer cooperation in the exchange rate field in a group of countries including, besides the participants of the snake, also the USA. If this pragmatic form of cooperation really achieves its aim of avoiding erratic movements in exchange rates there would exist at least a basis for a gradual return to the global system with fixed rates aimed at.

role of gold

The exchange rate issue was only one of the elements in the monetary reform discussions. It might be useful to recapitulate in this context some other issues. One question that was in the centre of the negotiations immediately preceding the Jamaica agreement was the future role of gold. While recognising that gold still is an important element in international reserves and will remain so in the foreseeable future Sweden has been among those countries which have advocated that effective measures should be taken in order to achieve a gradual demonetisation of gold. The agreements that were reached on this subject in Jamaica will hopefully lead to a reduction of the monetary role of gold. Such a development presupposes, however, that the major gold holders follow policies compatible with this long-term goal and, especially, that actions to peg the price of gold are avoided.

Another question which is closely linked to the gold issue concerns how the agreed objective of making the SDR the principal reserve asset shall be promoted, an aim which has been strongly supported by Sweden during the whole process of negotiation. It is evident that in the short run the SDR will continue to be a quantitatively rather insignificant element in the composition of international reserves. In the negotiations on monetary reform we have taken an active interest in the characteristics of the SDR and have welcomed the revised valuation and interest rate formulas.

IMF quota

A third element of the agreements at the Jamaica meeting to which Sweden attaches great importance is the increase in the general resources of the IMF as a result of the sixth general review of quotas. The quota structure endorsed by the interim committee implies an increase of the Swedish quota by 38.5 per cent or from SDR 325 to SDR 450 million. This large increase in relation to the average for industrialised countries reflects the fact that Sweden's quota has been rather low in comparison with quotas of other small industrialised countries. The global quota increase, as well as the temporary widening of each credit tranche in the Fund, will make available considerable additional resources, which are necessary for meeting the balance of payments needs of members.

The fact that Sweden has opted for participation in the European currency system has of course had its influence on domestic monetary policy. The limitation in our freedom of action which such a choice has implied is however probably not greater than it would have been under any form of managed exchange rate relationship. As for developments in the future one has to realise that the international situation is still characterised by rapid inflation and balance of payments imbalances.

On the other hand the disturbances which have taken place have at least proved that a system of floating currencies is not the panacea which it has been claimed to be for so long by many economists. Rather these disturbances have led to a realisation that strong efforts towards stability are now called for. It would, however, today be rather optimistic to assume that in the short run it would be possible to achieve a formalised cooperation with prescribed limits in the fluctuations between the present snake currencies and the dollar. Such a development would, however, be strongly welcomed on the Swedish side.

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Interview : H. P. Nanda

Wanted: market surveys for measuring size of the market

Mr H.P. Nanda, president of the Associated Chambers of Commerce, believes that many industries in our country have excess capacities against current demand because new units were set up while neither the government nor the entrepreneurs undertook scientific market surveys. He has in this exclusive interview with S. P. Chopra, Acting Editor, *Eastern Economist*, elaborated this point with reference to the tractor industry with which he is intimately associated for the last two decades. He has also suggested on the basis of his experience the mode of workers' participation in management which will be of enduring value. He is a supporter of the value added tax (VAT) which, in his view, will provide relief to many industries in this country which have been crippled by multiple taxes.

Q. *Mr Nanda, at a recent press conference you are reported to have said: "Both the public and the private sectors of the Indian economy have functioned with a sense of cooperation not hitherto in evidence." Will you kindly illustrate this statement with reference to concrete cases of cooperation between the two sectors?*

A. The answer to this question lies in two parts. First, there is the almost identity of views on major issues between the two sectors with the result that the leaders in both the groups have started talking in the same language. In a way, they are operating at the same wave length after many years

Second, there are areas in which all the old inhibitions are gone and the two sectors are joining hands to utilise all the available capacities, whether in the public or the private sector. Instead of creating independent capacities, they are making use of the capabilities and the capacities available with each other. From the larger economic sense, you will agree, it is good for the country.

There was a time when the budget was a *fait accompli*; today things are different. Last July, I brought it to the notice of the Finance minister, Mr C. Subramaniam, that the business community is consulted after the budget when minor points of irritation or inconsistency are brought to the notice of the government. Why not take the businessmen into confidence before the budget? Why not trust them? Tell them that the government needs Rs x crores for balancing its internal budget and y millions of dollars for foreign exchange. And the new levies should be imposed after consulting the industrialists and the businessmen. Luckily, government has understood the utility of this approach. The Finance minister consulted the businessmen before the budget. Many of the suggestions made by us were incorporated in the budget this year. We suggested that if you reduce the rates of tax, your tax collection will move up. We conceded that a whip should be used against the dishonest but all the same steps should be taken that the honest taxpayer is not harassed. It is a good sign that the government has collected by way of taxation much more than it expected, thanks to its accepting the advice of the business community.

We were also able to convince the Finance minister that excessive taxation was counter-productive. Take the case of chemical fertiliser. Heavy taxation had increased its price to a level that the farmer refused to use it, resulting in reduced productivity. What is the use of putting up so many factories of fertilisers—each costing not less than Rs 160 crores—if the fertiliser produced is not going to be utilised (ten years ago this unit cost no more than 30 to 40 crores of rupees)?

Q. *Industrial production in January-May this year has risen by nine per cent in relation to the corresponding period last year. This is a good sign but in your statement at the last press conference you had referred to the concern that is being caused by the absence of demand in some sections of industry. Which are the industries where sluggishness in demand is hurting the production units?*

A. These industries are mostly in the engineering sector. They are suffering because of certain misconceived notions which the policy-makers nurture at present. The prevalent view in the government is that only a few commodities or products needed by the villager or the low-income urbanite are the essential goods; the rest are luxuries. Even a bicycle or a motorcycle is deemed to be a non-essential item. These people forget that a motor cycle or a bicycle is family vehicle. It is essential for a man with limited income as it helps him to reach his place of work in the most economic way. There should be no excise or other taxes on bicycles, motor cycles and similar goods. Do not forget that the bi-wheeler is a vehicle which saves the country valuable foreign exchange which would otherwise be spent on crude oil imports if the public transport was used.

Again, let me draw your attention to another glaring fact. In the private sector, excess capacity has been created in many industries. Both the government and the industrialists are to be blamed for it. No market surveys were conducted. New units were applied for, licences were issued, both rupees and foreign exchange resources were made available and the factories came up. No one cared to find out the size of the market within the country. No one cared to find out if the product being manufactured had an export possibility.

Take the case of tractors. The government received no less than 28 applications for the grant of licences for the manufacture of tractors. Why were so many industrialists willing to enter this field? Because they learnt from the market that the demand for tractors was in excess of supply. The five manufacturing units including Escorts were not in a position to feed the market according to its requirements. Not one of the applicants tried to find out if the shortage was real or man-made. It is a separate question that having enjoyed the sellers' market for years, the industrialists in this country have forgotten the art of salesmanship, marketing and after-sales service. No less than 28 letters of intent were issued for manufacturing 250,000 tractors a year. Only 15 of the letters of intent were converted into licences; the rest dropped out. Only 12 reached the stage of production with total current installed capacity of 70,000 tractors a year. A market survey (NCAER) revealed that if the prices of tractors remained at the present level and the farmer was able to get financial assistance from the banks and other rural agencies the size of the tractor market will be 70,000 to 80,000 units a year *not today but in 1979-80.* The demand for tractors has been stagnant at 32,000 to 34,000 for the last three to four years. In 1960, the price to the farmer of the Ford tractor (46 HP) was Rs 23,000; today it is over Rs 65,000 in some states. How come, the price has shot up like that? It is the result of cumulative excise—excise on excise. A tractor consists of 3000 components. Each component and raw material used attracts either excise duty or import duty or both, besides the octroi, inter-state and state sales tax and other local taxes. State sales tax varies from one per cent to 13 per cent on tractors, implements and spare parts.

With shrunken market, IH, Escorts, TAFE, HMT, Kirloskars are able to produce and market only 30 to 60 per cent of their installed capacities.

And the same story was repeated in the case of the tyre industry. There was a time when a tyre in the market commanded 50 to 60 per cent premium. The conclusion drawn from it was that there was fantastic demand for tyres in the country and anybody who set up a unit could mint money. But look at the plight of the new tyre units. With capital cost of a new tyre unit at more than Rs 30 crores, the cost of the tyre has increased while the size of the tyre market has shrunk because of the sharp increase in oil prices. Result: the new tyre units would be moving into the red. The old units with capital cost of around Rs 10 crores can certainly compete but not those with capital cost three times this size. But behind this folly lies the basic lacuna; most of these units did not undertake a scientific market survey before venturing into this field. The long-awaited Marathe Committee's recommendations for fiscal and monetary concessions to High Capital Cost Industry are still awaited to be implemented.

Then, there is the '*Surtax*' which was imposed more than a decade ago to tax those units which made more than 10 per cent profit. What is the rationale for such a low base now when the banks charge more than 16 per cent on loans advanced. Anyhow, the Finance minister has accepted this suggestion partially and the Surtax on company profits is applicable for profits above 15 per cent. When the bank rate was 4 to 5 per cent and lending rate 8 per cent, the Surtax was made applicable beyond 10 per cent. Now that the bank rate is 9 per cent, and lending rate 15 per cent and more the Surtax should have been made applicable beyond 20 per cent. Anyhow, what is important is that a regular dialogue has started with the government through advisory councils which is proving very useful.

Q. *You were dilating on the genesis of the current recession. Will you elaborate it?*

A. It is the view of the policy-makers in this country that only the mass consumption items are the necessities of the people. Goods which do not belong to this list are branded as luxuries. Take the case of refrigerators and airconditioners. An airconditioner which was selling for Rs 3,500 four to five years ago today costs Rs 11,000 and more. The result is that the demand for airconditioners has shrunk. Some of the leading manufacturers of airconditioners are piled with over six months production as unsold stocks. Warehouses are bulging. The interest charges are mounting. The burden of excessive and compounded excise duties has crippled this industry.

Even if the excises are reduced, the size of the current domestic market will not expand even at the end of the current Plan so as to engage fully the capacity which has been set up.

As stated earlier, capacities in these industries were set up without conducting market surveys. In a way, we have done a good thing unwillingly when capital costs were much lower—we have set up excess capacity (current demand) and we have also trained our man-power. Now the main task is to exploit this capacity by increasing domestic demand and pushing up exports, thus avoiding unemployment of the employed.

More capital investment — both imported and indigenous machinery—is to be constantly maintained for both expansion and modernisation of our products attuned to global markets—generate employment for our highly skilled man-power.

Again, the emergency has improved employer-employee relations. Bonus has ceased to be a burden. And production is moving up. Earlier we had shortages because we were not utilising the available capacity; now we are operating our units at higher capacities and we are faced with diminishing demand and higher production — increased finished goods inventories and first time in two decades the industry is in 'Buyer's Market' and required to meet the challenges ahead.

Q. *Recently there has been considerable discussion in regard to the workers' participation in industrial growth through what is popularly known as a "Workers' Sector". How far, in your opinion, is this a workable proposition in industry?*

A. In my view, there are three different ways in which the workers can participate in the scheme for expanding industries in our country. First, there is the participation of workers in the management board of the board of directors. It is assumed that one of the workers is elected to the board of directors so that he can safeguard the interests of the workers in decision making policies of the board. I think this is not an advisable method of workers' participation because either the management can pick up the man of its own choice and control the working force through him which certainly is not a true representation and participation of the workers in the management or such persons will be pushed on to the board of directors by the strong multiple labour unions as will turn the board into a heterogeneous collection of people. Such a board will never be able to work as a team. Hence policy-framing and decision-making will be hampered. Also, there are very few among the floor level workers who possess the long-term vision for the progress and development of industry. The participation of any one of them in the board of directors or management will not bring about a meaningful participation.

Q. *Any other way of associating workers with management?*

A. The second mode of participation by workers consists of the workers' buying the shares of companies in which they are employed. You are aware that in the case of new capital issues to the general public there is no ban on employees of the company participating in the purchase of these shares. I wonder if workers would like to buy these shares at the present time when they know that most of the shares recently issued are quoted below par within a few months of the issue on the stock exchanges of this country.

Then there is the third method of workers' participation which in my view is workable. Here I will suggest that independent large industries should create separate units preferably public limited companies whose shares are held at least 75 per cent by the workers. The parent unit should supply free of cost the expertise relating to management, production and marketing and should assist in the training of the technicians, the engineers and the supervisors. The board of directors of this unit should consist of a majority of workers, technicians and engineers who should also be the main shareholders. I have personally tried this mode of workers' participation by the establishment of "Escorts Employees Ancillaries Limited". Escorts has secured technical collaboration from Japan and industrial licence but passed it on to the employees for the manufacture of carburettors (under Japanese licence). Capital for this enterprise is subscribed by nearly 1000 employees of Escorts Limited or the employees of ancillary suppliers to Escorts Ltd and no one is permitted to hold capital of more than Rs 25,000. Escorts' workers would have paid for the capital by six monthly equal instalments from their savings. The managerial and marketing expertise is provided by Escorts Ltd free of cost. I think this is the alternative which is the best and which could be developed by large industries in public or private sector, especially is areas where such units could by ancillary suppliers or producers of products made out of the basic materials produced by the parent unit.

Q. *In view of the continued recession in some sections of the engineering industry, what are the prospects for increasing our exports?*

A. Let us be clear about one thing. For stepping up our exports in the engineering sector, we must have strong and proven domestic demand. As I have stated earlier, the multiple impact of excise, inter-state sales tax, octrois on raw materials and components etc. has been crippling. Ancillaries have pushed up the cost of ultimate excisable products such as refrigerators, television sets, airconditioners, scooters, motorcycles, bicycles, passenger cars, automobiles, tractors, and farm machinery.

Q. *In your view, how far is the value added tax (VAT) the best method of obviating multiple taxes?*

A. I think VAT should be adopted in this country so that the industrial units which because of excessive taxes are working only at half of their licensed capacity, can be made to work at full capacity and the consequent increased production can be made available to the people at reduced prices. For example, the manufacturers of vehicles will not only pass on the actual excise relief to the customer but will also be able to reduce the price further because of the benefits of the economies of scale. In fact, all the economic wisdom should be employed to revitalise the industry which otherwise will become sick and will result in creating additional unemployment. There are examples where in order to avoid increasing unemployment the government had to step in and take over certain units. It is essential that government policies in the first instance should be such as to not turn sound working units into sick ones. Industry is extremely happy to learn that VAT Commission is being set up by the Finance ministry under the chairmanship of Mr L.K. Jha and it is hoped that its implementation would not face the same fate as the Marathe Committee's report and recommendations for High Capital Cost Industry. To accelerate the removal of recession on account of high prices—till VAT system is introduced—it would be essential for the government to extend the policies applied in reduction on excise on fertilisers and availability of tyres and batteries free of excise duties to passenger cars and tractor manufacturers broaden the area of exemption to products where the ancillaries and ultimate products are both excisable and therefore victim of recession and ultimately sick industries.

Similarly the accepted fiscal concessions made available to industry in backward districts and areas may be extended for expediency to High Capital Cost Industry till such time the Marathe Committee recommendations can be implemented.

The drop in costs through the reduction in excise as applied to fertilisers to generate the demand of that agricultural input so essential to accelerate agricultural productivity should be extended to other agricultural inputs like diesel, pesticides, farm machinery etc. so that farmers can produce more by optimum use of these agricultural inputs for national buffer stocks and surpluses for export.

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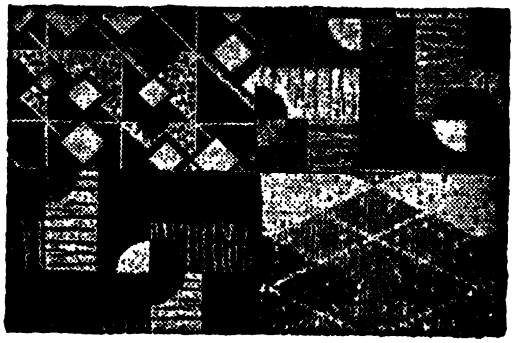

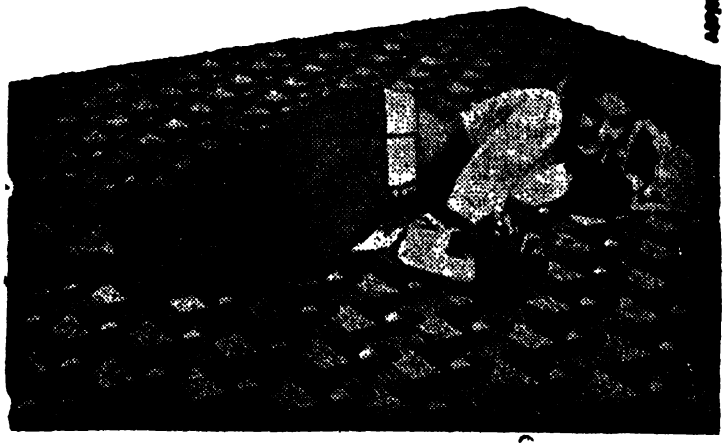

TRADE WINDS

Indian Iron Taken Over

The Indian Iron and Steel Company has been taken over. An ordinance issued by the President on July 17, enables the union government to acquire all such shares of the company as are held by the parties other than state governments, Steel Authority of India, LIC, Unit Trust of India and general insurance companies. The management of the company had been taken over in 1972.

Financial Aid

Indian Iron thus becomes a government company now and measures will soon be taken to restructure it suitably. The necessary financial assistance will be provided to make it a viable unit. Compensation to shareholders will be paid at the present fair value of share which has been determined as Rs 4.70 for each ordinary share of the face value of Rs 10 and Rs 32.75 for each preference share of the face value of Rs 100. The total amount of compensation payable is about Rs 7.24 crores.

The management of the IISCO was taken over by the government to ensure proper management of the company and to arrest the fall in the production of its steel plant at Burnpur.

Deposit Linked Insurance

The government has announced the Deposit Linked Insurance Scheme for workers covered by Employees' Provident Fund and the Coal Mines Provident Fund. It will provide protection to nearly 602,000 members of the Coal Mines Provident Fund Scheme and 7.8 million members of the Employees Provident Fund at present. An ordinance has been promulgated by the President, Mr Fakhruddin Ali Ahmed, recently to amend the Coal Mines Provident Fund, Family Pension and Bonus Scheme Act, 1948. The Employees Provident Funds and Family Pension Fund Act, 1952, the Wealth-tax Act, 1957, and the Income Tax Act, 1961. This ordinance will be called the Labour Provident Fund Laws (Amendment) Ordinance, 1976. It shall come into force on such date as the central government may, by notification in the official gazette, notify.

The scheme provides for that in the event of the demise of a worker while in service, the person(s) eligible to receive provident fund balance, would be entitled to an additional payment, equivalent to the average balance in the provident fund of the worker during the preceding three years subject to a maximum of Rs 10,000. In order to get benefit of the scheme, the workman will have to keep a minimum balance of Rs 1000 in the provident fund, but he will not be required to pay any premium for the benefit of such insurance cover. The premium will be paid, in the shape of an additional contribution, by the employer and the central government in the ratio of 2:1. The premium will not be treated as perquisites for purposes of Income Tax Act and thus this premium will be free of income tax. The income from the Deposit Linked Insurance Fund is also exempt from Income Tax and Wealth Tax Acts. For the purpose of determining the provident fund balance, the sum total of contribution by the employee and the employer due during the relevant period, whether paid or unpaid to the fund, together with the interest thereon will be taken into account.

Gold Sale by IMF

The International Monetary Fund (IMF) auctioned 780,000 ounces of gold on July 14, in the second of a series of sales to raise money to help the world's poorest countries. Profits from the sales, in which 25 million ounces of IMF gold will be auctioned over the next four years, will finance a special trust fund for poor nations. The trust fund will lend money to about 60 countries with annual per capita incomes of less than $350. The loans, which carry an interest rate of only one-half of one per cent, are to help these countries, pay for their imports. The IMF realised at the first auction on June 2 more than $65 million against the sale of 780,000 ounces at $126 per ounce—the market price at that time. As it did after the first auction, IMF will now announce only how much gold it sells and the price. It will not name the successful bidders.

Increase in Exports

The latest provisional data for exports (including re-export) for the month of May 1976 are placed at Rs 373.74 crores, showing an increase of about 47 per cent over the export of Rs 254.56 crores in the corresponding month of the previous year. The imports during the month totaling Rs 341.65 crores were higher by only three per cent as against imports of Rs 331.34 crores in May 1975. The cumulative exports for the two months ending May 1976 amounted to Rs 727.77 crores, showing a growth rate of about 46 per cent over the exports of Rs 498.24 crores in April-May 1975.

. As against this the aggregate imports during April-May 1976 stood at Rs 668.98 crores which were lower by 2.3 per cent over the corresponding period of the previous year which stood at Rs 684.45 crores. As a result of a relatively much higher growth rate in exports in both the months of April-May 1976 as compared to the corresponding period of the previous year, India's foreign trade during April-May 1976 yielded surplus of about Rs 58.8 crores as compared to a deficit of about Rs 186.2 crores in April-May 1975.

Double Taxation Agreement with UK

Talks are to be held between India and United Kingdom for finalising an agreement on double taxation. In this connection a British delegation is expected in New Delhi in the first week of November 1976. The two countries sorted out most of the problems when they met earlier this month in London. The Indian delegation was led by Mr S.R. Mehta, chairman, Central Board of Direct Taxes, ministry of Finance. A wide measures of agreement was reached in these talks. It is expected that the agreement on double taxation between the two countries will be finalised at the New Delhi round.

Impounded DA

The first instalment of the impounded additional dearness allowance is to be repaid to the employees this month. The government has confirmed in response to a number of enquiries that an employee has the option to retain the amount due to him as repayment in this month in his deposit account until superannuation or till such date as may be notified by the central government. If such an option is exercised, the amount thus retained in the deposit account will continue to get the same rate of interest as provided under the Act i.e, 2½ per cent over and above the maximum bank deposit rate. The present rate of interest on compulsory deposit is 12½ per cent a year. The retained amount together with the simple interest will be repaid to the employee on his superannuation or on the date may be notified by the government under the Act, whichever is earlier.

EEC Concessions for Third World

The European Community has proposed a number of measures in favour of the Third World. The European Common Market Commission announced in Brussels on July 1 that it considered that in 1977 about 65 per cent of the volume of trade of the developing countries with Europe would benefit from customs franchises. These franchises are for manufactured products, transformed agricultural products and textiles. Sir Christopher Soames, the European Community Commissioner for External Relations, stated that 6.5 billion dollars of industrial products and 1.5 billion dollars of agricultural products coming from the developing countries would be partially or totally exempted from customs duties if these proposed preferences were adopted by the Council of Ministers of the Nine. These preferences represent an increase of 51 per. cent for industrial products, 24 per cent for agricultural products and 4 per cent for textiles. Sir Christopher added that these increases would allow the Community to participate in the development of the most affected countries which were not associated with the Community.

No Takeover of Jute Mill

The centre has no intention of nationalising the jute industry or any unit of the industry, according to Prof D.P. Chattopadhyaya, union Commerce minister. The Centre's intervention, if absolutely necessary, may be confined to changing the management of one or two jute mills in the interest of production and labour. Even on this count, the Centre has not yet taken any decision, Prof Chattopadhyaya told newsmen in Calcutta on July 18.

Iron Ore for Japan

A doubling of iron-ore exports from India in the next four years, to Japan which continues to be the major customer, has been forecast in an expert study on market possibilities for Indian iron-ore for the decade beginning 1980. Prepared for the Commerce ministry and the Minerals and Metals Trading Corporation, the study notes that the Indian share in the world market could touch the 50-million-tonne mark in 1980, as against the last year's target of 25 million tonnes, and could rise to 65 million tonnes by 1985 and 80 million tonnes by 1990. According to the study, market possibilities of iron-ore exporting countries—present and new comers excluding India—total 515 million tonnes by 1980, 600 million tonnes by 1986 and 710 million tonnes by 1990.

After analysing trends in world steel output, the study is of the view that the world over, the growth rate in steel will be about four per cent in the seventies and about three per cent in the eighties. In terms of tonnage, the world steel output will be around 545 million tonnes by 1990.

Front-runners

The EEC, the USA and Japan will continue to be front-runners in the total output of steel. The study notes that notwithstanding the competition from Australia and Brazil, it should be possible for India to account for 15 per cent of the total imports of iron-ore by Japan during the period 1980-90. On this basis the probable level of export to Japan by India will be 27 million tonnes for 1980, 30 million tonnes 1985 and 35 million tonnes for 1990.

Workers' Participation in Public Sector

In pursuance of the policy laid down by the government to introduce progressive participation by workers in increasing industrial production, the Department of Heavy Industry had issued instructions to all public sector undertakings under its control. This has resulted in steady implementation of the scheme to form Joint Councils at shop, department and plant levels to consider matters of common interest like increase in production and productivity, development of skills and adequate facilities for training. Such joint councils have been constituted in the Bharat Heavy Electricals Limited (Hyderabad and Hardwar units), Bharat Heavy Plate and Vessels, the Heavy Engineering Corporation, the Mining and Allied Machinery Corporation, the Triveni Structurals Limited, Scooters India Limited, Jessop & Co, Gresham & Craven, the Machine Tool Corporation of India, Arthur & Butler, Burn and Co, the Indian Standard Wagon units at Howrah, Jabalpur, Salem and Asansol and the Britannia Engineering Works. All these units are working under the supervision of the department of Heavy Industry. The joint councils are expected to start functioning very soon in the remaining units of BHEL, while the Hindustan Machine Tools has also finalised a scheme for workers' participation.

Public Sector: 1976-77

The government has set the target of 29.1 per cent growth for public sector undertakings under the department of industrial development during 1976-77. According to a recent production review, the target figure, in terms of value, has been worked out at Rs 126.2 crores compared to the actual production of Rs 97.8 crores during the previous year (1975-76). In the two months of 1976-77 (April and May 1976), the total production by nine public sector undertakings under the department of industrial development was valued at Rs 16.44 crores against the production figure of Rs 10.83 crores for the corresponding months of 1975. The highest growth rate was achieved by the Cement Corporation of India (47.9 per cent), Instrumentation Limited (47 per cent), Tannery and Footwear Corporation of India (40.9 per cent) and Hindustan Cables Limited (38 per cent).

IDBI Incentives for Small Units

With a view to encouraging small-scale units to introduce or improve quality control systems and step up the quality of their products, the Industial Development Bank of India (IDBI) has decided to offer certain financial incentives to such units within the framework of its Refinance Scheme. Uunder the scheme of incentives which has come into force from July 1, 1976, small-scale units which obtain ISI mark for their products will be provided with a rebate of ½ per cent per annum in interest on the amount of refinance outstanding. The interest rebate will apply from the quarter in which ISI certification is obtained by the units and will hold good as long as the licence to use ISI mark is operative.

The IDBI will provide 100 per cent refinance in respect of loans granted by banks, state financial corporations and other eligible institutions without any margin for purchase of quality testing equipment. This facility will be subject to the industrial unit producing a certificate from ISI that the equipment is essentially needed for introducing or improving the in-plant quality system. Certain sophisticated industries covering a number of items calling for high degree of precision and quality control have been reserved for development in the small-scale sector. The exports of the small-scale sector are on increase and there is need for encouraging manufacture of products conforming to international standards of quality.

Zambia Devalues Kwancha

Zambia, which has recently experienced an economic crisis, has devalued its currency by 20 per cent. All foreign exchange dealings have been suspended. Announcing the devaluation, the Finance minister of Zambia stated that purpose was to reduce the balance of payments deficit which is believed to be running at around $100 million a year. Henceforth, the Kwancha is to be pegged to SDRs, and not to the dollar.

Fertiliser Output

Fertiliser production in the country registered a spectacular rise during the first quarter of 1976-77 when nitrogen production for the months of April, May and June reached a level of 417,000 tonnes against the production of 275,000 tonnes during the corresponding period of the previous year, an improvement of 51.6 per cent. Of this production, 406,000 tonnes of nitrogen came from the existing plants, indicating a substantial improvement in capacity utilisation.

The production of phosphatic fertilisers, which had slumped last year, has shown a revival. In the first quarter of the current year 91,900 tonnes of P_2O_5 were produced as against 71,900 tonnes in the corresponding period of last year, marking an improvement of 27.7 per cent. With the encouraging start in fertiliser production, the ministry of Chemicals & Fertilisers are confident of fulfilling the national target of 1.95 million tonnes of nitrogen and 480,000 tonnes of P_2O_5 set for the year 1976-77. During 1975-76, the target of 1.5 million tonnes of nitrogen had not only been achieved but had also been exceeded by 35,000 tonnes.

No Credit for Tax Evaders

The government has decided that a person who is found guilty of concealment of income or wealth or is convicted for tax fraud by a court on prosecution launched by the Income-tax department, will not be given credit facility exceeding Rs 100,000 by any scheduled bank for a period of three years. This decision has been taken in pursuance of the recommendation of the Wanchoo Committee to debar tax evaders from enjoying credit facilities with the scheduled banks. The three categories of persons in whose cases the denial of credit facility will operate are: Category I—Persons in whose cases penalty is levied under (i) Section 271 (1) (c) of the Income-tax Act, 1961; or (ii) Section 18 (1) (c) of the Wealth-tax Axt, 1957, where the amount of penalty levied is Rs 5,000 or above and if disputed in appeal or revision petition, the levy of penalty or Rs 5,000 or above is upheld by the appellate tribunal or commissioner. Category II—Persons whose conviction is ordered by a court for an offence under (i) Section 277 of the Income-tax Act, 1961; or (ii) Section 35-D of the Wealth-tax Act, 1957 or (iii) Section 199 or 200 of the Indian Penal Code. Category III — Persons whose conviction is ordered by a court for an offence under (i) Section 276-C of the Income-tax Act, 1961; or (ii) Section 35A of the Wealth-tax Act, 1957.

Foreign Travel Scheme

With effect from August 1, 1976, persons wishing to proceed abroad under the Foreign Travel Scheme 1970 will have to submit the declarations in the modified, prescribed form for approval to the offices of the Exchange Control Department of the Reserve Bank only through the airline or shipping companies or licenced travel agents, as in the case of 'P' form applications. The present practice, under which declarations are submitted direct to the offices of ECD and after obtaining the approval, tickets are puchased from the airline or shipping company or travel agent concerned, will be discontinued from that date. The modified prescribed forms for the declarations will be available with airline or shipping companies and licensed travel agents. Approvals granted by the Reserve Bank on FTS forms will be valid for 45 days only. If travel is not undertaken during this period, the approvals will have to be revalidated by the Reserve Bank.

Porous Mass Plant at Allahabad

A Porous Mass Plant has been installed at Naini, Allahabad, on a turn-key basis by Engineering Projects (India) Limited (EPI), a public sector contracting company under the ministry of Industry and Civil Supplies. When the plant starts production, it will save foreign exchange to the tune of about Rs 75 lakhs annually. The plant has an annual capacity of 10,000 cylinder fills.

New Product

The porous mass, a monolithic chemical substance, is manufactured out of diatomaceous earth, slaked lime, asbestos, etc., mixed in a specific ratio and made to react at high temperature and pressure. This monolithic mass, has a porosity as high as 90-92 per cent. It occupies the inside volume of the acetylene cylinders, so that the small pockets of gas on filling are isolated from one another, thus minimising the possibility of explosion. Acetylene gas is very widely used for oxy-acetylene flame cutting, heating and welding, in construction and other industries. A variety of non-standard equipment installed in the plant, such as autoclaves with quick opening devices, were developed by EPI through indigenous sources. EPI is at present implementing a large number of industrial and engineering projects with a total value of Rs 170 crores, both in the country and abroad. The company executes projects in the fields of sugar, material handling, chemicals, furnace, coke ovens, civil and structural works.

Export of Refrigerators

The Voltas division of Tata Exports Limited, has bagged a substantial export order of 1000 refrigerators, 160-litre capacity and 500 water coolers 40 l/hr capacity to Iraq. Traditionally, Iraq used to import refrigerators and water coolers from Japan and Europe. This is the first time, India exports refrigerators to Iraq. The breakthrough came in the wake of a trade delegation from Iraq, headed by the Minister of Foreign Trade. After a visit to the Thana works of Voltas by the Iraqi Trade Delegation, sample units of refrigerators and water coolers were air-lifted to Baghdad. After throough testing by the technical committee of the Iraqi Trading Company, a maiden order for 1000 refrigerators and 500 water coolers was released about Rs 18 lakhs in foreign exchange.

Institute of Public Finance & Policy

The union minister of Finance, Mr C. Subramaniam, inaugurated the Institute of Public Finance and Policy on July 20. The main objectives and functions of the Institute are: (i) continuous study of the fiscal system and measurement of the effect of budgetary policy on the economy; (ii) training of official of the union, state and local governments; and (iii) operational (advisory and research) work at the request of the governments. In particular, research work would focus on (a) the effects of taxes on allocation, distribution and incentives; (b) the measurement of the impact of budgetary changes on aggregate demand and prices; (c) forecasting of revenues and expenditures; (d) inter-governmental relations with special reference to the efficiency and equity aspects of the transfer of resources from the union government to the states; (e) finances of local authorities and (f) investment and pricing policies of public enterprises.

Names in the News

Mr H.P. Nanda, president of the Associated Chambers of Commerce and Industry, has been appointed chairman of the Development Council for Shipping Industry. The council is required to make recommendations on various aspects connected with the development of shipping industry.

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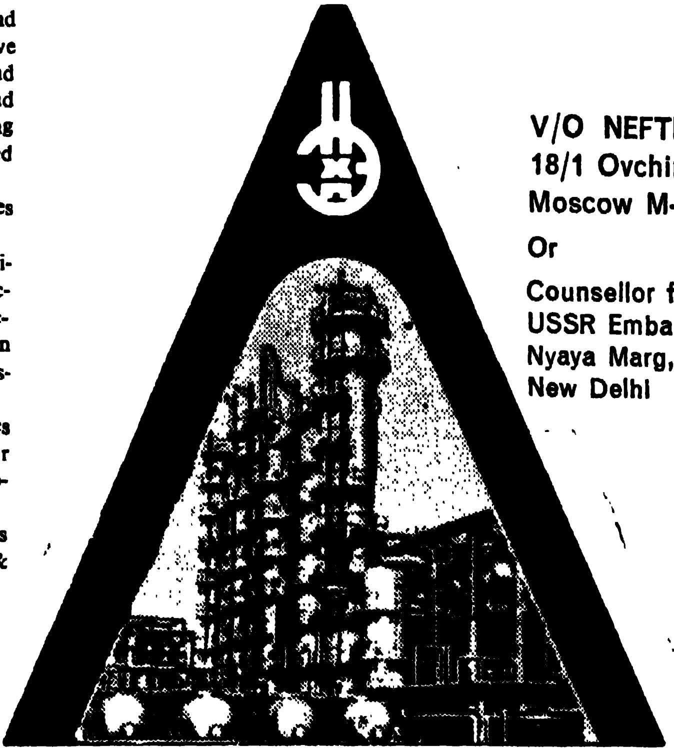

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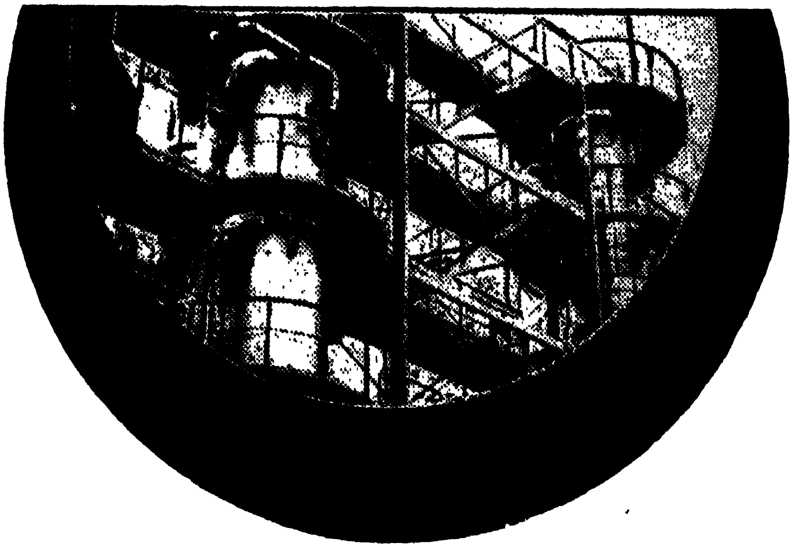

COMPANY AFFAIRS

TISCO

MR J.R.D. TATA, chairman of the Tata Iron and Steel Co Ltd, voiced his concern at the unrealistically low prices of the Indian steel and its products, at the annual general meeting of the company, for the year-ended March 31, 1976. According to Mr Tata, the present ills of the industry arise out of two factors, fixation of prices below cost and high rates of excise duties.

Uneconomic Prices

Comparing the prices of steel and its products in this country with those prevailing in other countries, he said that the Indian steel industry is compelled to sell, on the average, at half the price earned by the steel industry in other countries. although the capital cost of putting up a steel plant in India is no lower than that in other countries. Mr Tata said that the government should cease compelling the industry to become a milch cow for the benefit of other industries.

Reviewing the world economic scene, Mr Tata was happy to note that world economy was emerging from the recession which had plagued it during the last two years. This, in his opinion, would increase the demand for steel in the international market and would offer tremendous opportunities to our country to export.

Mr Tata assured the shareholders that the company was in many ways in a better shape than it had been for a long time and every effort will be made by the management to raise profit-earning potential both at the cost and revenue end of the operations. The chairman was optimistic in regard to the company's long-term future, subject only to government policies in regard to steel prices.

Central Bank of India

The total deposits of the Central Bank of India for the year ended December 31, 1975 increased by Rs 153.76 crores to Rs 1,180.53 crores as against an increase of Rs 93 crores during the preceding year. Advances of the bank at the end of year stood at Rs 830.29 crores recording an increase of Rs 158.34 crores over 1974.

Credit needs of the priority sector continued to receive special attention of the bank. The priority sector advances (including exports) rose from Rs 216.84 crores in December 1974 to Rs 246.86 crores at the end of December 1975, recording an increase of seven per cent. Outstanding credit to weaker sections, at the end of the year stood at Rs 82 lakhs as against Rs 49 lakhs in the previous year.

During the year 1975, the bank opened 77 new branches, of which 47 were opened in rural and semi-urban areas and 30 in urban and metropolitan areas.

With a view to ensuring systematic planning and effectiveness of agricultural credit, the bank formulated new schemes covering compact areas. At the end of 1975, 288 such schemes were in operation as against 240 schemes in the previous year.

Warner Hindustan

The net sales of Warner Hindustan Ltd for the year ended November 30, 1975 rose to Rs 877.20 lakhs as against Rs 834.38 lakhs in the previous year. The profit of the company, however, declined marginally to Rs 35.44 lakhs as against Rs 44.10 lakhs in the preceding year. The decline in profitability in the year under review was due to an increase in the cost of imputs and shut-down of the basic chemicals plants for the major part of year.

The company's exports during the year amounted to Rs 26.17 lakhs. The directors of the company have recommended an equity dividend of 23 per cent for the year as against 11 per cent in the preceding year.

Hoechst Dyes & Chemicals

Satisfactory progress was maintained by Hoechst Dyes and Chemicals Ltd in its financial year ended December 31, 1975. The sales of the company increased to Rs 45.25 crores in 1975 from Rs 40.46 crores during the preceding year, showing an increase of 12 per cent. The company registered a significant increase of 39 per cent in the sales of dyestuffs from Rs 4.76 crores to Rs 6.63 crores, due to better availability of products. The profit before depreciation, development rebate, reserves and taxation fell from Rs 3.11 crores to Rs 1.80 crores.

The directors have, however recommended a dividend of 11 per cent which added to the interim dividend of six per cent makes a final dividend of 17 per cent for the year under review.

Subject to the approval of the Controller of Capital Issues, the directors propose to capitalise Rs 54 lakhs out of general reserve and issue 540,000 equity shares of Rs 10 each as fully paid bonus shares in the ratio of two bonus shares for every five equity shares held by the shareholders.

There was a marginal

fall in the exports of the company from Rs 25.68 lakhs in 1974 to Rs 24.35 lakhs in the year under review.

Guest Keen Williams

The gross turnover of Guest Keen Williams Ltd, for the year ended January 3, 1976 (53 weeks) registered a modest increase from Rs 75.10 crores in 1974 to Rs 80.54 crores. Despite the increase in turnover the pre-tax profit of company dropped sharply from Rs 10.67 crores in 1974 to Rs 6.41 crores in the year under review. The net profit of the company was Rs 2.56 crores as against Rs 3.89 crores in 1974.

The directors of the company, have however, enhanced the equity dividend from Rs 1.15 last yearto Rs 1.56.

The company had a disappointing year in exports as compared to the previous year. The total value of exports of the company during the year under review were Rs 226.45 lakhs as against Rs 210.29 lakhs in the previous year.

Boots (India) Ltd

The sales of the Boots Company (India) Ltd increased from Rs 8.67 crores to Rs 9.63 crores in the year-ended December 31, 1975, registering a rise of 12.2 per cent After making necessary appropriations for taxation and development rebate, the net profit was slightly lower at Rs 31.87 lakhs as against Rs 33.62 lakhs in 1974. The directors of the company have recommended an equity dividend of 12 per cent for the year 1975. The directors have also recommended the issue of bonus shares in the ratio of one bonus share for each equity share held by the shareholders. The company is in the process of setting up a new chemical plant for the manufacture of Ibuprofen, in a backward district of Maharashtra.

Madhya Pradesh Financial Corp.

The working results of the Madhya Pradesh Financial Corporation for the year ended March 31, 1976 resulted in a profit of Rs 15.82 lakhs as against Rs 19.94 lakhs in the previous year. The corporation sanctioned loans amounting to Rs 379.76 lakhs as against Rs 562.82 in the previous year. During the year under review, the corporation created an all-time record by disbursing a sum of Rs 205.50 lakhs.

Small-scale sector and backward areas continued to be the main beneficiaries of its efforts. Out of 680 applications sanctioned since its inception, 516 were from the small-scale sector and 269 in the backward areas. The corporation has also sanctioned loans to the tune of Rs 50 lakhs under the IDA line of credit.

The only disturbing feature in the working of corporation has been the continuous default in the repayment of loans. As at the end of March 31, 1976, the default repayments amounted to Rs 225.35 lakhs, including Rs 125.85 lakhs in respect of suit filed accounts. The corporation is making all efforts to recover these defaulting loans.

News and Notes

Larsen & Toubro Ltd is exporting four units of milk powder mixing equipment to Egypt. The order from Misr Milk of Cairo was secured against stiff competition from multi-national manufacturers. Each unit has a milk recombining capacity of 6000 litres per hour. This is the first time that India is exporting such equipment.

Two organisations, **Voltas and Blue Star**, have achieved significant success in introducing their refrigerators and water-coolers in West Asian countries.

Voltas has bagged an order worth Rs 18 lakhs to export 1,000 refrigerators of 160 litre capacity and 500 water-coolers to Iraq. Traditionally, Iraq imported these items from Japan and Europe. This is the first time that India has made the breakthrough.

Blue Star has booked, in the first five months of the current year orders worth Rs 74 lakh for the supply of refrigeration and central air-conditioning plants, components and appliances to various West Asian countries. Its total exports, last year, were worth Rs 35 lakhs. The company hopes to export items worth Rs one crore this year. It has succeeded in entering two new markets — Saudi Arabia and Aden (Democratic Republic of Yemen). The company will be exporting 1,100 water-coolers worth Rs 25 lakh to Saudi Arabia. Initial trial supplies of water and bottle-coolers have already been sent to Aden. In Saudi Arabia, Blue Star is assisting the local distributors to set up services and repair centres for its products.

New Issues

Usha Atlas Hydraulic Equipment Ltd will be entering the capital market on July 28, with a public issue of 1,18,750 equity shares of Rs 10 each and 5000, 11 per cent redeemable cumulative preference shares of Rs 100 each for cash at par.

The new company will be manufacturing truck mounted hydraulic cranes for the first time in India. The company is promoted by Usha Telehoist Ltd in technical collaboration with Hy. Weyhausen GmbH of West Germany, who will be holding 37.5 per cent of the equity capital.

The proposed public issue will meet a part of the project costing Rs 75 lakhs.

Mohan Ortmann & Herbst Ltd will be entering the capital market with a public issue of equity capital worth Rs 67 lakhs in equity shares of Rs 10 each for cash at par. The subscription list which will open on August 2 will close on August 12 or earlier but not before August 4.

The company will be setting up an automatic bottling plant costing about

Rs 2.99 crores, and has already obtained the technical collaboration of Ortmann & Herbst GmbH of West Germany. The plant is expected to commence production in April 1977 and the first machine will be out by October 1977. The company will be producing 25 such plants per annum.

New Registrations

Two hundred and sixty-one companies were registered in India under the Companies Act during March last compared with 232 in previous month.

Out of these, 256 were registered with limited liability and five with unlimited liability.

The total authorised capital of the new companies registered in March amounted to Rs 82.47 crores against Rs 41.46 crores in February last, according to an official press release.

Of the new registrations, 15 were government companies with an authorised capital of Rs 61 crores. Among the 246 non-government companies, 24 were public limited companies and 222 private limited ones with an authorised capital of Rs 9.62 crores and Rs 11.85 crores respectively.

The largest number of companies registered during the month — 141 — fell under the broad industrial group of processing and manufacturing. The highest number of new registrations — 72 — was reported from the state of Maharashtra followed by Delhi with 39.

Twenty companies comprising four public limited and 16 private limited ones, with a total paid-up capital of Rs 45.03 lakhs were reported during March, 1976 to have ceased functioning either by going into liquidation or by being struck off under section 560(5) of the Companies Act.

Capital and Bonus Issues

Consent has been granted to five companies to raise a capital of Rs 239.90 million.

The details are as follows:

Mysore Power Corpn Ltd, Bangalore, has been accorded consent, valid for 12 months, to issue debentures of Rs 9.75 million, with the right to retain additional subscription to the extent of 10 per cent of the notified amount of Rs 97.5 million. The proceeds of the issue will be utilised for augmenting the company's financial resources.

City and Industrial Development Corporation Ltd Bombay, a public limited company having a paid up equity capital of Rs 20 million, has been granted consent, valid for a period of 12 months, for the issue of unsecured debentures of the nominal value of Rs 35 million to the general public. The proceeds of the issue will be utilised for augmenting the resources of the corporation.

Rural Electrification Corpn Ltd, a public company having a paid up capital of Rs 550 million, has been accorded consent for the issue of bonds of the value of Rs 100 million (with a right to retain excess subscription upto 10 per cent) for cash to the general public by a prospectus at a discount price of 99 per cent. The bonds will carry interest at the rate of 6 per cent per annum and will be redeemable after 10 years from the date of issue. The bonds will be payable to registered holders only. The proceeds will be utilised for augmenting the resources of the corporation. The consent order is valid for 12 months only.

Coromandel Agro Production and Oils Ltd., Hyderabad, has communicated to the government of its proposals to issue capital under clause (5) of the Capital Issues (Exemption) Order 1969, for Rs 6.5 million (inclusive of the capital of Rs 402,700 already raised) in the form of 590,000 equity shares of Rs 10 each and 6,000 redeemable cumulative preference shares of Rs 100 each, all for cash at par. The proceeds of the issue are to be utilised to meet a part of the finance required for the setting up of the undertaking in Prakasam Distt., Andhra Pradesh.

Unichem Laboratories Ltd, has been accorded consent, valid for three months, to capitalise Rs 900,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every seven equity shares held.

Dividend

(per cent)

Name of the company	Year	Equity dividend declared for	
		This year	Previous Year
Higher Dividend			
Paper Mills Plant	March 76	12	10
T.R. and Tea	Dec. 75	20	10
Premier Construction Co.	Dec. 75	10	2.08
Steward & Llyods	Dec. 75	12	4.5
Warner Hindustan	Nov. 75	23	11
Same Dividend			
TOMCo.	March 76	16	16
Colour Chem	March 76	12	12
Lower Divident			
New Commercial Mills	Dec. 75	Nil	6
S.R.P. Tools	May 76	Nil	3.75

Non-aligned news pool

THE FOLLOWING is the text of the constitution for the pool of news agencies of non-aligned countries adopted by the ministerial conference on July 13, 1976:

Preamble: The conference of information ministers and directors of the press agencies of the non-aligned countries consented to draw up a draft constitution of the press agencies pool of these countries.

Recalling the recommendations set down in articles 13 and 14 of the action programme for economic cooperation adopted by the fourth conference of heads of state of governments of the non-aligned countries from September 5 to 9, 1973 in Algiers.

Recalling further the recommendations set down in resolution VI of the ministerial conference of the non-aligned countries held from August 29 to 31, 1975 in Lima.

Colonial Past

Bearing in mind the call given by the Lima conference of foreign ministers of non-aligned countries to "cooperate in the reorganisation of communications channels dependent or which constitute a colonial inheritance and obstruct direct and rapid communications among non-aligned countries.

Noting the recommendations of the symposium held in Tunisia, in March, 1976.

Mindful of the significant gain from a greater dissemination amongst non-aligned countries of objective information about their economic, socio-political and cultural development.

Conscious of the need to built upon existing news exchange arrangements, within and amongst non-aligned countries and, in particular the experience already gained by the non-aligned press agencies pool on January 20, 1975.

Lima Mandate

Bearing in mind the mandate given by the Lima conference of foreign ministers of non-aligned countries to "draw up a draft constitution for the non-aligned press agencies pool".

Recommends that such a pool be set up with the following objectives, organisational structure and operating and financial arrangements.

The pool: Press agencies pool of the non-aligned countries agreed upon by the non-aligned countries is intended to achieve broad and free circulation among themselves of news, informative reports, features and photographs about each other. and also provide objective and authentic information relating to non-aligned countries to the rest of the world.

The non-aligned press agencies pool is not a supranational news agency. All pool-participating news agencies have the same rights in terms of the circulation of the material each makes available to the pool.

Equal Status

None of the pool-participating agencies has a dominant role. Cooperation is founded in the agreements reached on the basis of full respect for democratic procedure and equality.

The non-aligned press agencies pool is open to participation by press agencies wishing to participate as members in full standing of the non-aligned movement and of countries with observer status in the movement.

If a national news agency does not exist in a participating country, the comparable body in the field of news service from that country.

The coordinating committee of the pool can admit as an observer the liberation movements, international organisations and professional bodies and especially, UN, UNESCO among others which have as an objective the decolonisation of information in the world.

Objectives: (1) The "pool of news agencies of non-aligned countries, is intended to improve and expand mutual exchange of information and further strengthen mutual cooperation among non-aligned countries, based on the decisions taken jointly at the meeting of the non-aligned countries, in their efforts to promote and attain their aims.

(2) Objective information is the basic premise of the pool, with emphasis on progressive, economic, socio-political and cultural developments as well as mutual cooperation and action.

Factual Information

(3) The pool is intended to facilitate dissemination of correct and factual information about non-aligned countries, their mutual cooperation, and other subjects of common interest, among non-aligned countries as well as international community in general.

(4) The pool is intended to fill the gap which exists in this field by providing further information about the non-aligned countries and their policies. News items included in the pool

could also be made available to other news agencies, mass communication media and other interested organisations.

(5) The pool is not intended to substitute news exchange arrangements already existing among non-aligned countries or to be a supranational news agency but to fulfil the above mentioned objectives.

Functioning: (1) Each participating news agency is entitled to transmit and to distribute news items within the framework of the pool.

Regional Centres

(2) All participating news agencies prepared to act as regional centres of redistribution of news items, within the framework of the pool, are welcome to do so, and to identify themselves for the purpose to other participating news agencies.

(3) All participating news agencies can send daily an agreed wordage to one or more of the distributing agencies as identified above.

(4) All distributing news agencies will provide in their daily transmissions or newcasts a mutually agreed duration of time to be devoted to distribution of news received from other participants.

(5) Each participating agency will itself prepare and select all their information on the basis of mutual respect and common interest which will be offered through the pool.

(6) The credit line of originating news should indicate both the agency concerned and the pool.

(7) The modalities of collection and distribution of news among participating agencies would be worked out through mutual agreement. The pool does not preclude bilateral arrangements between participating agencies or between them and other agencies, consistent with the objectives of pool.

(8) Each news agency will endeavour, to the full extent of its possibilities, to promote utilisation of the news and information carried by the pool, by publications and radio and television stations using its services.

(9) All pool-participating news agencies, including those acting as collector-distributors may maintain contact with all the other participating news agencies, keeping them informed on the quality of reception and, even, suggesting possible subjects and reports of particular interest to one or more agencies.

(10) Non-aligned countries which have no established news agency are not excluded from participating in the pool.

Close Cooperation

Coordination: (1) Cooperation among participating agencies will be on the basis of full respect for equality and democratic principles of functioning.

(2) Countries participating in the pool should meet at the level of governments and national news agencies at the beginning of each year, in which a conference of the heads of state of governments of non-aligned countries is to be held. At each such meeting, a coordinating committee will be elected (on the basis of equitable geographic representation) by the participants to facilitate mutual cooperation and attention to questions concerning the working of the pool. The coordination committee will hold a meeting at least once a year, or more frequently if it so decides, at a place to be decided by it. The chairman and other office bearers of the coordinating committee will hold office until the next coordinating committee is elected, as mentioned above.

Coordinating Committee

(3) The coordinating committee will work in close cooperation with the country nominated by the conference of the heads of state of governments of non-aligned countries as coordinator in the field of information.

(4) Participating countries and news agencies should keep in touch with the coordination committee with a view to keeping it informed of their experiences and problems within the framework of their cooperation with the pool.

Supplementary arrangements: 1. Participating countries will endeavour to extend the scope of their cooperation in the fields of exchange of features, photographs, specialised economic and cultural information, as well as the exchange of journalists and technical personnel and training facilities, through further consultations within the framework of the pool with the assistance of the coordinating committee wherever necessary.

2. The coordinating committee will collect, compile and distribute to all participants and keep up-to-date technical information regarding the facilities available with each participating news agency to ensure maximum possibilities for their cooperative utilisation.

Technical Aspect

2. The coordinating committee will also consider and explore possibilities for technical cooperation between participating news agencies to improve their respective functioning and facilities through exchange of technical information and personnel.

4. Participating countries should reach agreement on reciprocal reduction of cable rates, and on improvement of mutual communication facilities.

Financing: 1. The pool is founded on the principle of being a self-financing activity and each participating agency would bear the cost of its own participation. This means that the news agencies of origin, agencies handling editorial and transmitting work and those which transmit news items reports and information bear all the expenses of their own work.

2. News agencies receiving pool newscasts from collecting redistributing news agencies, will then distribute to their subscribers at their own cost, i.e. in keeping with the agreements reached with their subscribers.

Commercial banks in unbanked rural areas

THERE WAS a further major thrust of commercial banks into rural areas, especially areas where organised banking facilities were totally lacking, during the year ended June 1976, the seventh year of the nationalisation of 14 major banks in July 1969. The thrust was in the following five directions:

(i) opening of new branch offices in a large number of unbanked rural centres,

Rural Banks

(ii) sponsoring of 20 regional rural banks,

(iii) extending additional sizeable credit to agriculture and other priority/neglected sectors,

(iv) providing credit facilities to an increasing number of persons with small means, and

(v) granting financial support to sectors and activities identified in the Twenty-point Economic Programme — finance for procurement and distribution of essential commodities, assistance to landless labourers to whom lands are allotted, help to released bonded labour, bridging the credit gap created as a result of moratorium on rural debts, credit facilities for minor irrigation and better utilisation of groundwater resources, assistance to handloom weavers and holders of national road transport permits, and assistance for concessional supply of text books and stationery to students.

New branch offices were opened in 688 more unbanked centres between July 1975 and April 1976, in addition to the 1,445 offices opened in banked centres, or a total of 2,133 new offices. Including these, the total number of new bank offices opened since July 1969 and upto the end of April 1976 comes to 12,677, the share of unbanked centres being 5,900 offices. The performance of the State Bank of India, its associated banks, the nationalised banks and private sector banks in covering unbanked centres during the period from July 1969 to April 1976 is highlighted in Table I.

Tempo Maintained

The pace of expansion of branch network in rural areas was well maintained during the year. This is evident from the significant increase of 693 rural bank offices between July 1975 and April 1976, as against the increase of 559 rural offices in the corresponding period of 1974-75. As at the end of April 1976, there were 7,499 rural offices (accounting for 36.0 per cent of the total of 20,817 bank offices in all centres), against 1,832 rural offices (22.4 per cent of the total of 8,262 offices) in June 1969. The Table II indicates the spread of bank offices in rural, semi-urban, urban and metropolitan/port town areas at the end of April 1976 as compared with that at the end of June 1969.

Annexure I (p212) shows the group-wise number of bank offices functioning in the different categories of centres as at the end of June 1969 and April 1976.

Following the establish-

TABLE I

New Offices Opened (July 1969 to April 1976)

(Rs in lakhs)

	Unbanked Centers	Banked Centres	All Centres
State Bank of India	1,165	1,073	2,238
Associate banks of SBI	490	447	937
14 nationalised banks	3,173	3,544	6,717
Public sector banks	4,828	5,064	9,892
Private sector banks	1,022	1,691	2,713
Regional rural banks	50	22	72
All commercial banks	5,900	6,777	12,677

TABLE II

Dispersal of Bank Offices

(Rs in lakhs)

	No of offices		% share in total	
	June 1969	April 1976	June 1969	April 1976
Rural	1,832	7,499	22.4	36.0
Semi-urban	3,322	6,274	40.1	30.2
Urban	1,447	3,671	17.5	17.6
Metropolitan/port towns	1,661	3,373	20.0	16.2
Total	8,262	20,817*	100.0	100.0

Note: Classification of centres in June 1969 based on 1961 census and in April 1976 based on 1971 census. *Excludes 122 offices closed during the period July 1969 to April 1976.

ment of 12,677 new branches during the period July 1969 to April 1976, the average population per bank office has been reduced considerably from 65,000 in June 1969 (1961 census) to 26,000 in April 1976 (1971 census). Special efforts continue to be made by banks to open more bank offices in the States where the population per bank office is above 50,000. It will be seen from Annexure II (p212) that the population coverage per bank office is below 50,000 in all the states with the exception of Arunachal Pradesh, Assam, Bihar, Orissa, Tripura, Manipur and Mizoram.

Unbanked Areas

The perspective plans for branch expansion covering the three years from 1976 to 1978 submitted by banks to the Reserve Bank include a large number of centres in the underbanked states especially in the eastern and north eastern region, as also in districts where the population per bank office still exceeds 75,000. This is in accordance with the advice given to banks by the Reserve Bank which continues to lay emphasis on the need to minimise inter-state/district disparity in the provision of banking facilities.

A significant development during the year was the setting up of 20 regional rural banks covering 35 districts in the country. These banks have opened 72 bank offices. Nineteen more regional rural banks would be opened within a couple of months to cover another 33 districts and, within a few months thereafter, 11 more rural banks would be set up in the country.

The Indian banks opened 14 branches outside India during the ten months ended April 1976, bringing the total number of branches in foreign countries to 79.

Priority Sectors

Simultaneously with the expansion of branch net work especially in unbanked, rural areas, there has been a further significant diversification of bank lending to priority/neglected sectors – agriculture, small-scale industries, transport operators, professionals/self-employed persons, retail trade/small business, export and food procurement. Bank credit to these sectors has gone up from Rs 995 crores in June 1969 to Rs 5,327 crores in April 1976, its share in total bank credit rising from 27.6 per cent to 48.6 per cent. The Table III compares the sectoral deployment of credit as at the end of April 1976 with that in April 1975 and June 1969.

The record of commercial banks in mobilising the savings of the community has been quite encouraging. Total deposits, which had increased from Rs 4,646 crores in June 1969 to Rs 12,545 crores in June 1975, have risen further to Rs 15,056 crores in June 1976, representing an average annual growth rate of 32 per cent. The bank group-wise performance in this respect is highlighted in Table IV.

On per capita basis, deposits of commercial banks now amount to Rs 245 against Rs 86 in June 1969. As a proportion of national income at current prices, deposits work out to about 25 per cent, against 15 per cent.

TABLE III

Sectoral Deployment of Credit

(Rs in crores)

	June 1969	April 1975	April 1976
Public food procurement	233	564	1,573
Agriculture	188	785	1,042
Small-scale industries	286	1,043	1,188
Export	258	750	981
Other priority sectors	30	322	543
Priority sectors — total	995	3,464	5,327
	(27.6)	(39.4)	(48.6)
Residual sector*	2,605	5,323	5,640
	(72.4)	(60.6)	(51.4)
Aggregate advances	3,600	8,787	10,967

Note: Figures in brackets relate to percentage share in total. *Includes large and medium industries and whole-sale trade in public and private sectors.

TABLE IV

Growth of Deposits

(Rs in crores)

	June 1969	June 1975	June 1976
State Bank of India and its associate banks	1,239	3,564	4,348
14 nationalised banks	2,633	6,990	8,359
Public sector banks	3,872	10,554	12,707
Private sector banks	774	1,991	2,349
All commercial banks — total	4,646	12,545	15,056

Annexure I

Group-wise Bank Offices in Different Categories of Centres

	Rural	Semi-Urban	Urban	Metro-politan/ port towns	Total all centres
State Bank of India					
June 1969	462	795	162	150	1,569
April 1976	1,578	1,299	543	433	3,853
Associate Banks of SBI					
June 1969	356	377	85	75	893
April 1976	781	630	234	180	1,825
14-Nationalised Banks					
June 1969	686	1,451	924	1,072	4,133
April 1976	3,785	2,922	2,098	2,023	10,828
All Public Sector Banks					
June 1969	1,504	2,623	1,171	1,297	6,595
April 1976	6,144	4,851	2,875	2,636	16,506
Private Sector Banks					
June 1969	328	699	276	364	1,667
April 1976	1,299	1,412	791	737	4,239
Regional Rural Bank					
April 1976	56	11	5	—	72
All Commercial Banks					
June 1969	1,832	3,322	1,447	1,661	8,262
April 1976	7,499	6,274	3,671	3,373	20,817

Note: Classification of centres in June 1969 based on 1961 census and in April 1976 based on 1971 census.

Annexure II

State-wise Distribution of Bank Offices and Population Per Offices

States with an average population per bank office	No of bank offices		Population per bank offices	
	June 1969	April 1976	June 1969	April 1976
Below 25,000				
Chandigarh	20	57	7	5
Goa, Daman & Diu	85	152	8	6
Delhi	274	613	10	7
Lakshadweep	—	4	—	8
Punjab	346	1,076	42	13
Kerala	601	1,465	35	15
Pondicherry	12	31	31	15
Gujarat	752	1,686	34	16
Karnataka	756	1,881	38	16
Himachal Pradesh	42	201	80	17
Dadra & Nagar Haveli	—	4	—	19
Haryana	172	509	57	20
Jammu & Kashmir	35	229	114	20
Tamil Nadu	1,060	2,083	37	20
Maharashtra	1,118	2,354	44	21
Andaman & Nicobar Islands	1	5	82	23
Between 25,000 and 50,000				
Andhra Pradesh	567	1,523	75	29
Rajasthan	364	862	70	30
Meghalaya	7	29	141	35
West Bengal	504	1,278	87	35
Nagaland	2	14	205	37
Madhya Pradesh	343	1,025	116	41
Uttar Pradesh	747	2,150	119	41
Between 50,000 and 1,00,000				
Arunachal Pradesh	—	9	—	52
Assam	74	260	198	56
Orissa	100	368	212	60
Bihar	273	912	207	62
Tripura	5	23	276	68
Manipur	2	12	497	89
Above 1,00,000				
Mizoram	—	2	—	166
All-India	8,262	20,817	65	26

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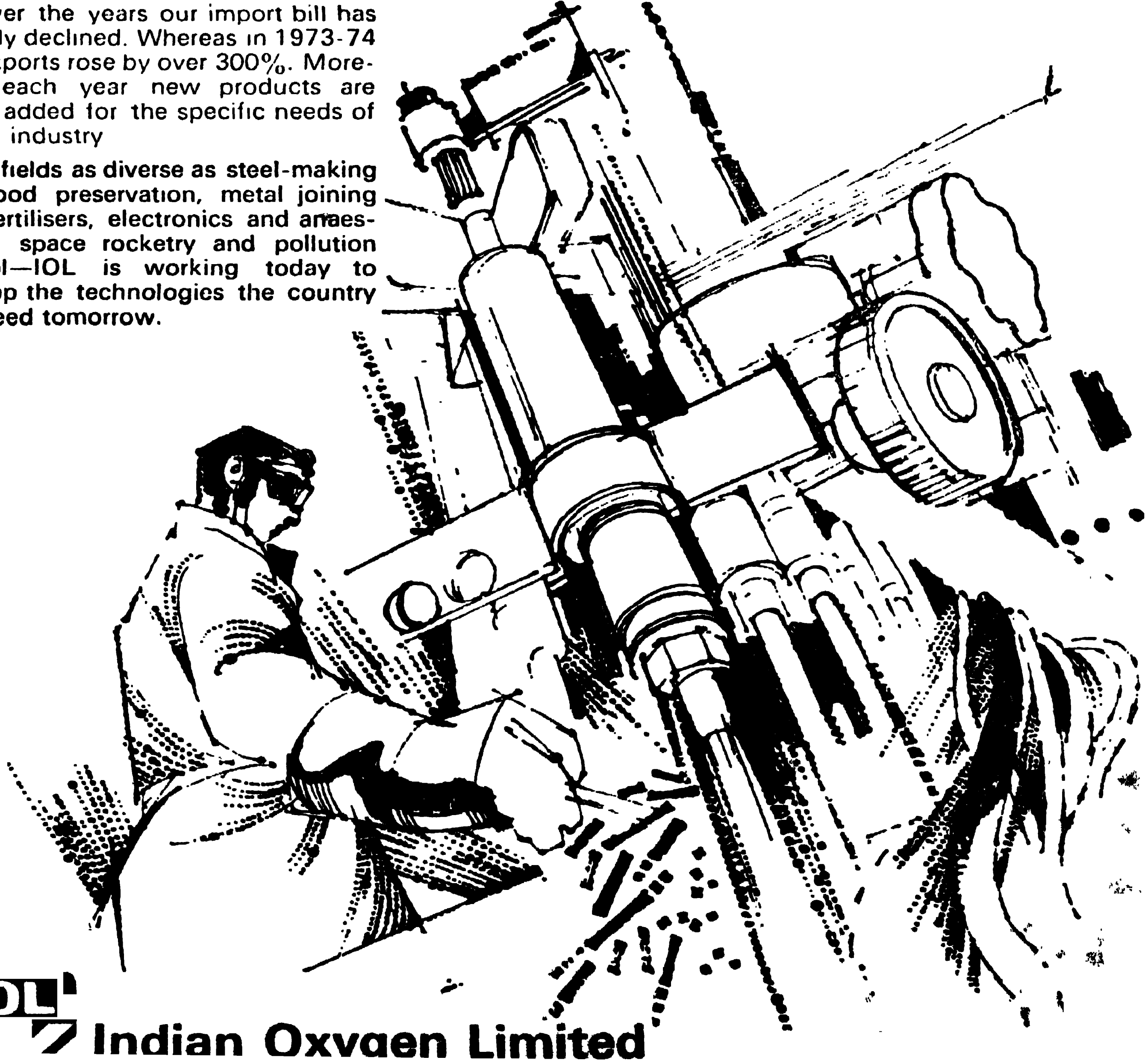

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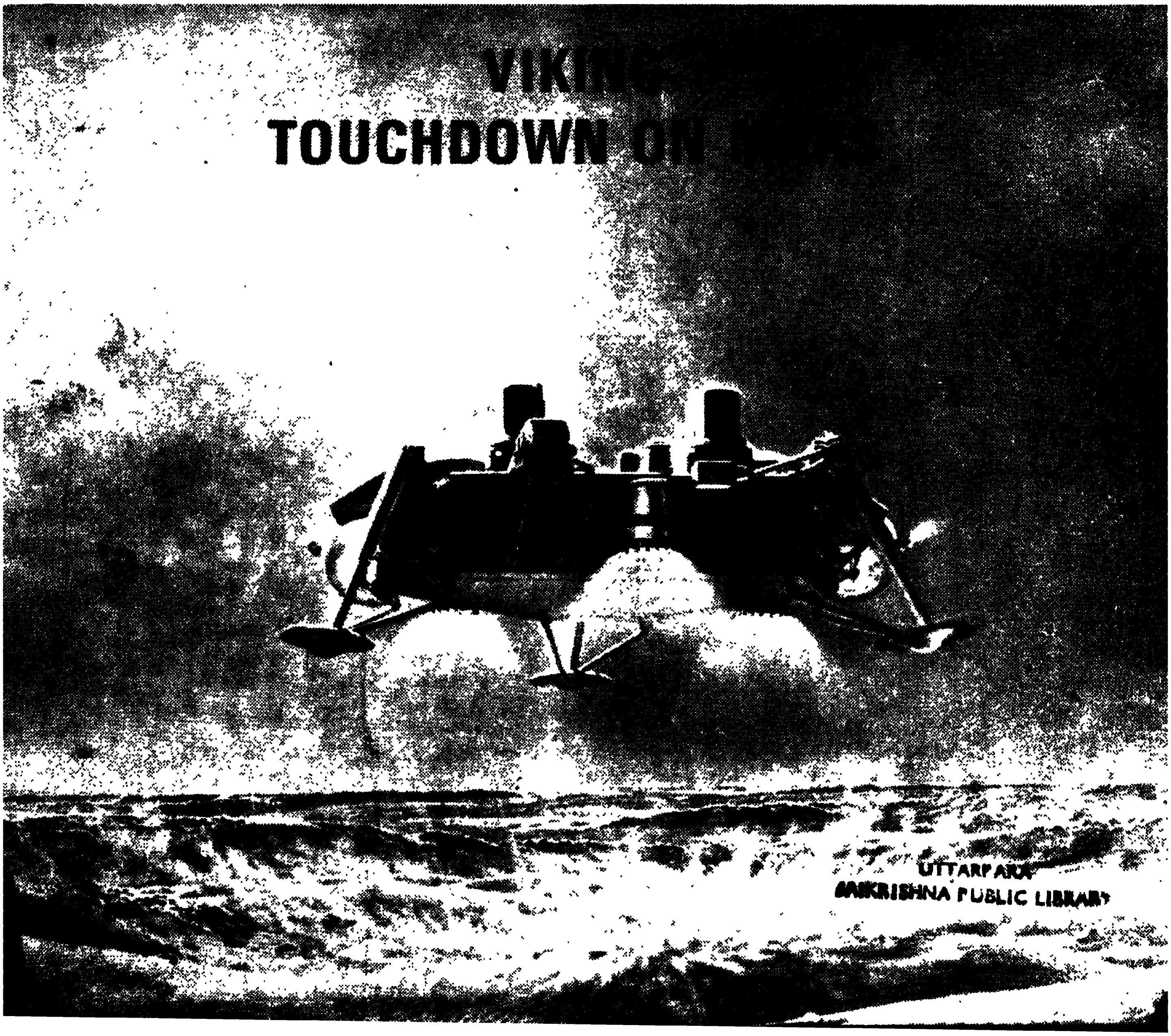

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Cover Picture :

An artist's conception of Viking I landing on Mars.

Man, Mars and the marvels of science

Is THERE life on Mars, the Red Planet? This question has baffled man for centuries. The answers thrown up by the most powerful telescopes were far from perfect. With increasing scientific knowledge, man started planetary exploration. When man landed on the moon and found it lifeless, attention was diverted to Mars and Venus. Russian spacecrafts have landed on Venus and provided useful information about this planet. Their invasion of Mars however has not been successful because of the rough landing of their spaceship. It is the American unmanned Viking I spacecraft which soft-landed on the surface of Mars on July 20, 1976, and which has added another chapter to the marvels of scientific discovery.

Viking I started its journey on August 20 last year. In 11 months it traversed a distance of 320,000,000 kilometres — something which boggles the mind. Originally it was expected to touch down on July 4, 1976, to mark the 200 years of the birth of the American Republic. But the scientists were not satisfied with the landscape as disclosed by the first pictures sent by the orbiting spacecraft. They were keen to select a soft place from where soil could be scooped and tested. They took 16 days to decide about the landing site.

Viking I will be followed by Viking II which is expected to land in September this year. Both the spacecrafts have been equipped with laboratories which will conduct biological experiments to determine the presence of life, present or past. For conducting these experiments, each laboratory has a collection of the most sophisticated scientific equipment which can be put together in a large suitcase.

The first photographs which Viking I has sent to the Pasadena (California) research station show the presence of rocks and sand dunes around the place of landing. It has also revealed the presence of nitrogen and argon in the atmosphere of the Red Planet in sufficient quantity so as to raise the chances of life being present. While no conclusive evidence of life has come to light, the scientists believe that the presence of water, nitrogen, carbon, phosphates etc was enough to confirm the belief about the presence of life on Mars.

But in all such scientific exercises, the chance of mechanical failure — though minimised through trials on earth — cannot be ruled out altogether. On the fourth day of the landing, the spacecraft's automatic digger which was designed to scoop up the Martian soil for chemical tests got stuck. But the scientists succeeded in rectifying the snag which in itself was a marvel of remote control. Even if Viking I gave a negative answer – that there is no life on Mars — it will have to be confirmed by Viking II. It is highly unlikely that both the spacecrafts should land in barren areas.

Man on the Moon may now be followed by Man on the Mars though it will take some time to study the working of human body when it travels in space for two years or more. These are costly experiments but much more important is the courage needed to undertake them. The lure of the unknown has proved too powerful for man to be discouraged by difficulties, whatever their dimensions.

The scientists in the USA have indeed a splendid record of planetary exploration. The speed with which new discoveries are being made through an interdisciplinary approach is something unique in the annals of scientific progress. This is not the age of a solitary Einstein. This is the age when top scientists in different branches — pure and applied — get together and pool their resources and talents to accomplish an assigned task. It is through team-work that the new marvels of science are being unveiled. Scientific thought backed by billions of dollars provided by the US government has made America the most powerful nation in the world.

While the US achievement in space research is unique, it is legitimate to ask if all the resources spent on this research could not have been profitably used for removing poverty and disease from the face of this globe. Cancer, the big killer, continues to claim more and more lives every year. Could a cure be found for this deadly disease if all the American resources in men and money currently being spent on space research were diverted for research in this field? What is worthwhile? — to save lives on earth or to discover if life exists on other planets? Perhaps the scientist in man finds the urge to conquer space and discover life on other planets more powerful than saving lives on this earth!

Banks after nationalisation

SEVEN YEARS ago, 14 major commercial banks were nationalised with the avowed objectives of checking the growth of monopolies, preventing the disproportionate share of the community's savings going to big business houses, reducing disparities in income and wealth between the affluent and the not-so-affluent sections of society and ensuring increased credit to priority sectors such as agriculture, small-scale industries and exports. It was also stated that having so many banks in the country was wasteful and that the state-run banks would be amalgamated into a small number of regional banks. The commercial banks with deposits of more than Rs 50 crores only were nationalised; the rest were considered to be too small to be included in the state sector.

At a conference held in the capital on July 20, 1976 to commemorate the seventh anniversary of bank nationalisation, Mr A.P. Sharma, minister of state for Industry and Civil Supplies, said that the results achieved in the working of the nationalised banks had fully justified the "revolutionary economic measure". He cited a few figures such as the number of new rural branches opened and the credit advanced to agriculture and industry in order to show that the nationalised banks had recorded phenomenal progress in keeping with the directives of the government. For instance, the number of rural branches increased from 1860 to 7451 (March 1976). The credit made available to the small-scale industries multiplied almost four times from Rs 251 crores to Rs 1028 crores (December 1975) and in the case of the agricultural sector, from Rs 188 crores to Rs 998 crores.

A day earlier Mr Pranab Kumar Mukherjee, minister of state for Revenue and Banking had said in a broadcast over All India Radio that the nationalised 14 banks had increased their deposits from about Rs 5,000 crores to Rs 15,000 crores. The total number of bank branches had also risen from 8321 to 21000. What was more, the nationalised banks had earned profits to the tune of about Rs 115 crores out of which they had paid more than Rs 27 crores to the government by way of dividends.

creditable performance

By any measure of reckoning, the expansion in the activities of the nationalised banks was indeed creditworthy, though the major casualty was the banking service which had tended to deteriorate. Not that the government was not aware of it. The government knew that it had not succeeded in bringing about a change in the attitude of the bank employees at various levels. It was in this context that Mr A.P. Sharma rightly suggested that new norms should be evolved to evaluate the performance of bank managers as the existing system favoured "conservatism, lack of initiative and restrictiveness". He wanted the emphasis to be put on "liberalism, initiative and a helpful approach towards productive purposes". It was indeed far from flattering that the government had not succeeded in seven years to bring about the requisite change in the outlook of bankers at various levels so that they could fit in with the changing social, political and economic climate of the country.

As stated earlier, the line was drawn, in 1969, at deposits of Rs 50 crores for the nationalisation of commercial banks. Now, some of the banks which had not been taken into the net at that time have accumulated deposits of more than Rs 100 crores. The very fact that these non-nationalised banks have shown rates of progress which are much higher than those of the nationalised banks is proof positive of the lack of efficient service in the state-sector banks which have lost many a customer. Anyway, a healthy competition between the two sectors should be welcome because it is through this process only that the customer has a chance of getting a better deal at the hands of the bankers.

advances to farmers

That more than Rs 1,000 crores have already been advanced to the farmers speaks volumes of the good work done by the nationalised banks in giving support to the agricultural sector. However, it is necessary to issue a warning at this juncture regarding the recovery of loans. Now that the farmers have reaped rich dividends through bumper harvests and the price-support as well as procurement policies of the government, an attempt should be made by the banks to speed up the recovery of loans from the farmers. The experience of agricultural cooperatives in many states has been discouraging in the past which in fact was the main cause for giving a set-back to the cooperative movement. The banks will have to be extremely vigilant in this regard as the success of the official policy to extend increasing assistance to the farmers will largely depend upon the capability of the bank managers to minimise losses in this sector.

Like the agricultural sector, the other two priority sectors—small-scale industries and exports—have also received increasing credit facilities from the nationalised banks. This is evident from the significant expansion which has taken place in both these sectors in recent years. Additionally, the number of small entrepreneurs, mostly self-employed, has also increased. It is some of the larger industrial units which have been groaning recently under the stringent credit policy. The lack of credit in many recession-hit engineering industries particularly has caused severe strains. It is now time to ask the question as to why the government let capital investments take place in such sectors as, in its view, were not relevant to the economy. Surely, the same capital could be diverted to such industries as were included in the priority list. It would have meant more fruitful exploitation of the available capital resources.

It has been a wise decision to appoint this week a commission (see Trade Winds, page 246), headed by Mr Manubhai Shah, former central minister for Industry and Foreign Trade, to examine the working of the state sector banks and to suggest their restructuring so as to improve their working operations. Besides promoting operational efficiency of banks, the commission will study ways and means to involve them in the process of rural development and balanced development of the various regions of the country. Also, it will examine the links between public sector banks and other credit and development agencies. Mr Shah, besides being an experienced former central minister having close knowledge of the working of the economic ministries and their allied offices, has a deep understanding of the various forces at work in the economy and, hence, has the capability to objectively scrutinise the working of banks, and can be expected to come up with really helpful recommendations.

Drift in jute

PROF. D.P. Chattopadhyaya, the union Commerce minister, said recently in Calcutta that the government had no plan to nationalise any jute mill though there might be some changes in the management of a few mills. It was, of course, not expected that the government would seriously contemplate the nationalisation of the jute industry or of individual mills in the present situation. Nevertheless, the minister's clarification is welcome. But what should cause concern to the industry and the country is the inordinate delay in announcing an integrated policy which would help the mills to strengthen their competitive capacity in the short period, reopen the ten closed mills and make the sick units viable.

Mr Siddhartha Shankar Ray, the chief minister of West Bengal, had declared on June 26 this year that the government would announce by July 1, a scheme for solving the crisis in the jute industry. The Bose-Mullick committee which has been set up to examine the problems of the jute industry has not yet finalised its report although it was expected to do so by the end of March this year. One reason for this delay appears to be the difficulty of finding a consensus among its 13 members who have been called upon to express their views on a wide range of subjects including research and development, modernisation of machinery, financial assistance, and other aspects relating to the growth of the industry. Even if the committee expedites its report, it seems doubtful if its recommendations can be implemented at an early date. Meanwhile, the government of West Bengal has introduced a new scheme for the supply of power to jute mills with effect from July 14, 1976.

staggered working

The scheme has divided the jute mills into two groups. The mills in one group will work from 10 p.m. to 6 a.m., 6 a.m. to 12 noon and twelve noon to 6 p.m. They will not be allowed to work between 6 p.m. to 10 p.m. In the other group, the mills will work from 10 p.m. to 6 a.m., 9 a.m. to 12 noon and 4 p.m. to 10 p.m. Mills in both the groups have been allowed to work six days a week. Prior to the introduction of this scheme, some mills were working for five days a week and others for six days. It is feared that this arrangement will not be of much help to the jute industry to improve its prospects in the immediate future.

There is the likelihood of the costs of production going up further due to the cut in production. The regulation of working hours is expected to reduce the output to about 75,000 tonnes a month from around 80,000 tonnes a month which was achieved under the production regulation order which has now been withdrawn. The scheme is expected to enable the industry to be able to reinstate about 40,000 workers whose employment had been affected due to the regulation in production. But unless effective measures are adopted to place the industry on a sound footing, workers will continue to face an uncertain future. Jute growers will also suffer. In fact, the Jute Corporation is reported to have expressed the view that the new energy control order is mis-timed because it would lead to the lifting of smaller quantities of the fibre by the mills.

increasing stocks

It is significant that despite a decline in production from 87,400 tonnes in May to 79,100 tonnes in June, the stocks with the members of the Indian Jute Mills Association rose by 18,400 tonnes to 135,000 tonnes. Stocks of sacking increased by 13,700 tonnes to 59,100 tonnes, hessian by 3,100 tonnes to 37,400 tonnes, carpet-backing by 600 tonnes to 26,300 tonnes, and other goods by 1,000 tonnes to 2,800 tonnes. The foreign demand for jute goods continues to be sluggish.

In 1975 the industry exportd only 450,000 tonnes compared to an average of 620,000 tonnes in the preceding three years and more than 900,000 tonnes about a decade ago. Export of hessian and carpet-backing declined to 226,000 tonnes and 100,000 tonnes from 267,000 tonnes and 144,000 tonnes respectively in 1974. Sacking exports fell sharply from 129,000 tonnes in 1974 to 81,000 tonnes. The exports in the current year are unlikely to pick up in a big way unless the industry is enabled to cut its costs and offer its goods at competitive prices. In this context, the reported decision of the government of India to make the cash compensatory support for carpet-backing available only to manufacturers has caused disappointment and resentment among merchant-shippers and non-mill exporters who fear that this change in policy is likely to affect exports of this item and also create uncertainty among importers abroad.

The internal demand for jute goods has been sharply increasing but the uneconomic prices offered by the Directorate General of Supplies and Disposals

(DGS&D) have been putting the industry to loss. The Indian Jute Mills Association has represented to the Bose-Mullick committee that its members have been incurring "heavy financial losses" on their supplies to the DGS&D and that these have "drained the industry's funds to the extent of Rs 21 crores". The IJMA said: "It is most unfortunate that the DGS&D saw it fit to stop buying, after lifting goods only for two months. The reason for this arbitrary action is not known to the industry and the issue of a number of letters and telex messages have failed to elicit any reply from the DGS&D. This action has greatly disappointed the industry and it has set at naught the sanctity of contract. The latest policy adopted by the DGS&D is to refrain from buying for some time and then to call for a tender for small quantity but, eventually, it makes purchases in a big way in order to obtain the goods at lower price from the industry which is a distress seller".

It is regrettable that the industry and the government have not been able to evolve a price formula which will be fair to both. It is stated that while, according to the industry, the manufacturing cost of 100 bags of standard BT will come to Rs 387 on the basis of raw jute price of Rs 70 per maund for Assam Bottom, the office of the Jute Commissioner has arrived at a figure of Rs 351.33. But, surely, it should be possible to fix the price at a level which will provide a reasonable return to the industry and, at the same time, be considered fair to the government.

"The greatest threat to the existence of the jute industry today is the lack of its viability", said Mr J.P. Goenka, chairman of the Jute Manufactures Development Council, at its inaugural meeting on April 18 this year. He added that "the losses suffered in manufacturing and marketing the products at the current levels of cost and sale prices are eating into the very vitals of the industry". Although over three months have passed since the council was set up, the industry's problems continue to remain as acute as before. New Delhi should lose no more time in evolving a sound strategy which will enable the industry to face the future with confidence.

Retreat from dear money; when?

THE BUOYANT conditions witnessed in the gilt-edged market in the past few months are reminiscent of the situation noticed in the mid '40s and in the mid '30s when an increase in the stature of the banking system and expectations of a retreat from dear mony led to a scramble for buying large parcels of long-dated securities. It may not be correct to expect a repetition of the happenings of the earlier periods referred to in a completely identical manner as it is unlikely that there will be a return to the old concepts of cheap money and borrowing by governments on a cheaper and cheaper basis. But there is bound to be rethinking on the utility or otherwise of the present policy of dear money as there has been no integrated approach for evolving a workable interest rate structure and the social and economic implications of dearer interest rates have not been fully assessed or understood.

The lending rates of banks have been adjusted as a matter of convenience and borrowers have been asked to bear heavy interest charges in order to enable them to operate a system of differential interest rates for according special treatment to borrowers in the weaker sections of the society, financing developmental expenditure involved in implementing branch expansion programmes and making also large provisions for bad debts arising out of sticky or irrecoverable advances. The losses sustained by banking system as a result of bad debts have not been precisely estimated; but there is reason to believe that these losses have been more than covered by inner reserves and profitability of working of banks at the present moment is quite high in spite of privileged borrowing by the central and state governments and public bodies privileged in relation to the prevailing Bank rate of nine per cent.

The ineffectiveness of Bank rate will be evident from the fact that lending rates have no relation to the Bank rate and the interest rates on government loan have also no logical relationship with the Bank rate. The disparities are due to an anxiety to have a large cushion to meet all contingencies and enabling also the central and state governments and public bodies to secure their requirements on an advantageous basis.

need for efficiency

It was therefore explained some time back by the union minister of state for Finance, Mr P.K. Mukherjee, that a reduction in interest rates charged by banks can be achieved if there is an increase in the efficiency of the operations of banks and saving in working expenses especially as the banking system had to invest up to 40 per cent of total deposits in securities at lower interest rates and for maintaining cash balances.

These arguments had great weight until recently as the rapid pace of branch expansion was proving to be costly and sufficient experience had not been gained in extending loans to new classes of borrowers. The recent developments, however, have resulted in a significant improvement in the capability and profitability of the banking system. With the branches started in earlier years reaching the profit-earning stage and there being a surge in deposits of rural branches, further branch expansion cannot impose any strain and the losses incurred in the initial years can be easily borne in normal working. Second, the loaning of the funds to new classes of borrowers is being done on a scientific basis, while thanks to the Emergency and larger amount of deposits per branch, the ratio of working expenses and total income has come down significantly. In 1976 the profits of banks may record a phenomenal increase as on present indications the growth in deposits may register a rise of even 30 per cent as compared to 1975 and banks will be obliged to invest quite large amounts in gilt-edged securities even after meeting fully the needs of all classes of borrowers.

There may even be need for making special efforts to extend loans to worthy borrowers if procurement credit does not rise in the coming year in the manner it has done in the past 12 months.

exceptional surge

The surge in deposits in the past few months may be regarded somewhat exceptional as being due to the opening of accounts in designated foreign currencies by non-resident Indians and the flow of remittances from Indians residing in foreign countries directly into the banking system on a scale larger than ever before for meeting the needs of their dependents in this country. The advantage arising out of accounts in designated foreign currencies may not continue to be available in the same manner. But the flow of remittances in foreign exchange resulting in addition to the purchasing power of Indian population and increase in foreign exchange reserves may have a vastly strengthening effect on the banking system and on the balance of payments position. There has also been a faster growth of deposits of banks within the country in the metropolitan centres and in the semi-urban and rural areas.

The increase in deposits in the scheduled commercial banks in the 12 months under reference has been helpful in financing procurement operations and expanding food credit by Rs 1,508 crores. Non-food credit rose by Rs 1,391 crores. It was therefore possible to increase investments in government securities and treasury bills alone by Rs 636 crores, cash balances by Rs 203 crores and money at call by Rs 117 crores. There was of course an increase in borrowings from the Reserve Bank, against refinance facilities provided by it, of as much as Rs 943 crores. The fact remains that the banking system provided out of owned resources, food credit of Rs 565 crores.

What will be the look of things by July next year? There cannot obviously be an increase in food credit of similar dimensions as it will not be necessary to maintain bigger buffer stocks. Nor will it be feasible to hold larger stocks because of the acute difficulties experienced in storing foodgrains. The prospects of bumper kharif crops again being harvested suggest that there cannot be any big reduction in aggregate buffer stock and there may even be need to effect sizable purchases in pursuance of support operations if movement restrictions are not relaxed or exports are not effected. But there is the physical impossibility of holding larger stocks and there will necessarily have to be major decisions in regard to the handling of marketable surpluses in foodgrains.

There will of course have to be financing of buffer stocks of oilseeds, cotton and raw jute. But these may not call for an outlay of more than Rs 300 crores under the best of circumstances. There may probably have to be a provision of Rs 500 crores for food procurement or reduction in borrowing with the Reserve Bank if it decides on a modification of the refinance facility. However, in actual practice the additional demand on these counts may not be more than Rs 500 crores and even if non-food credit rises by Rs 1400 crores, the banking system will have a surplus of more than Rs 900 crores as even the growth in deposits in the next 12 months will be in the region of Rs 2,800 crores. The whole argument is based on the assumption that the banking system will not have recourse to fresh borrowing from the Reserve Bank except for short periods for meeting bulges in demand for funds. With the improved capability of banks for lending and investment, the structure of interest rates should be logically streamlined and the Bank Rate also lowered in stages to seven per cent. Government borrowing may be at 5¾ per cent or 6 per cent for long-dated loans while the lending rates of banks on advances to industry and trade can be reduced by two to three per cent. In view also of the growing income of banks the levy of the government can be reduced suitably.

It is the expectation of cautious retreat from dear money because of the compulsion to invest large amounts in gilt-edged securities that the scheduled commercial banks have been showing preference for medium-dated and long-dated securities latterly. In this process the average yield can be raised besides improving scope for securing appreciation in the value of holding with the lowering of interest rates. The open market operations of the Reserve Bank also have given rise to the feeling that future borrowing by the central and state governments may be on a cheaper basis. Even the response to the central loans issued recently indicated a great preference for long-dated securities, as out of total subscriptions of Rs 523.79 crores, applications for 6½%—2000

Eastern Economist 30 Years Ago

AUGUST 2, 1946

It is learnt that the Reserve Bank of India is approaching the scheduled banks with the proposal that the payment of interest on current account deposits be abolished and the rates paid in savings and fixed deposits be reduced. No legislation is proposed, but the view of the scheduled banks will be ascertained and the uniform maximum rates fixed for each centre and will be enforced under the supervision of the clearing house. The purpose of the proposals is fairly clear. Under the pressure of cheap money, conditions of banking have reached a stage in which the cost of keeping the current accounts and performing other banking services has come to exceed the return on the investments of these funds. Therefore, current accounts can carry no interest, even if they are not made to bear the cost of service performed. In countries such as Britain, current accounts carry no interest. But in India most banks pay a rate of ½ per cent on them. Non-payment of interest is quite a feasible proposition. It is likely to cause no setback either to the savings of the community or the deposits of the banks.

loan accounted for Rs 394.54 crores, 6%—1994 loan for Rs 88.13 crores and 5½%—1984 loan for only Rs 41.12 crores. The holders of 6½%—2000 loan/and medium dated loan must now be feeling happy as the open market sales are being effected at a considerable premium. The next moves of the Reserve Bank are eagerly awaited in money market circles as major questions of policy are involved. It will be interesting to know whether the monetary authorities will make an effort to reshape the structure of interest rates.

Fishing in stagnant waters

THE ASSISTANCE of approximately two crores of rupees released by the United Nations Development Programme (UNDP) for the second phase of the fisheries development programme in the country is sure to act as a shot in the arm to this project. By the end of 1979, when the UNDP programme will have run its course, it will have contributed some eight crores of rupees for intensified exploration and introduction of scientific methods of handling, processing and marketing of our marine products.

Fishing is big business in the developed countries where it provides a substantial proportion of protein in the diet of the people. With population in our country rising fast, in spite of all the governmental efforts at family planning, promotion of fish culture is essential for providing supplemental food rich in protein to the nation. Apart from abundant inland water resources for fish breeding, the country has a long coastline which could enable marine fishing on a large scale and open up unlimited prospects for exports. According to the Marine Products Export Development Authority, export of sea-food had fetched the country Rs 15 crores in the month of April this year. Last year we had earned Rs 120 crores from the export of sea-food, mainly of shrimp. This year we have planned for an export target of Rs 150 crores for marine products.

Marine fishing has been the occupation of the people of coastal India from earliest times but the operation has been confined to the vicinity of the shores and continues in large measure to be on traditional lines offering pittance for the hard and hazardous life of fishermen out on the sea. Mechanisation has to some extent been achieved with the assistance mainly of Norway which since 1952 has helped in the modernisation of our fishery; total assistance has been to the tune of Rs 20 crores. The yield has risen to over one million tonnes a year, nearly double that obtained in the 1950's, rising at an annual rate of five per cent. This is indicative of the scope that marine fishery holds for the country.

continental shelf

It has been estimated that India's continental shelf (about 200 metres depth) can fetch an annual production of some two and a half million tonnes. In 1971 we had obtained a catch of barely 1.16 million tonnes. The extensive resources beyond the continental shelf hold additional potential of equal dimensions. The National Commission on Agriculture believes that the production of marine fish can be increased to 3.5 million tonnes over the years up to 2000 AD.

The use of modern technology in the last 20 years, such as the application of telemetering, sonars and electronic equipment for fish detection and better trawling and handling methods have revolutionised the world fishing industry. It is necessary that in our country also the industry is enabled to avail itself of these advanced methods to attain its full potential. There are at present three organisations engaged in resource survey of marine fish. These are (i) Deep Sea Fishing Organisation, (ii) Integrated Fisheries Project and (iii) the United Nations Development Programme. The government of India has earmarked Rs 160 crores for the development of fishery during the current Plan period. The provision of eight crores of rupees by the UNDP will enable the introduction of improved methods on a larger scale and further exploitation of our marine products.

Added attention however needs to be given to increased earning from oceanic tuna. We should make an early entry into commercial fishing for highseas tuna and secure effective participation in the management of tuna resources. Prawn, lobsters and crabs are delicacies highly favoured in the affluent countries and fetch considerable foreign exchange. Even though prawn and lobster amounts to just 15 per cent of our marine fish catch they earn for us 60 per cent of the foreign exchange. Scope for prawn culture is unlimited but the industry lacks suitable trawlers which need to be imported freely till such time as indigenous craft are available.

If marine fishery is important from export angle, inland fishery is no less essential for employment as well as augmenting the nation's food basket, both quantitatively and qualitatively. The country abounds in inland water resources for fishery such as rivers, lakes, ponds or reservoirs. It may not be well-known that pisciculture has been adjudged more profitable than agriculture. Inland fishery has the advantage that demand for fresh water fish in the interior is far greater than that for sea fish.

extensive sources

Reservoirs in our country had so far been constructed for power generation or irrigation purposes. However these man-made lakes constitute extensive sources of inland fishery. Some three million hectares of water-spread area are newly available in the country. Under scientific hatching of fish these reservoirs could yield up to 120,000 tonnes of fish. This is a source which needs to be exploited expeditiously.

Man-made reservoirs in some cases can affect fishery by reducing the flow of water downstream. This is illustrated by the construction of a dam on river Roopnarain by the Damodar Valley Corporation which seriously affected fishery in that river. They can also pose a hinderance to the Hilsa fish which travel upstream and down for hatching. Similar problems have been tackled by many countries by regulated discharges which were provided in the original designs of these reservoirs. They have also provided for fish passes or guiding devices at appropriate places to minimise the adverse effects to the upward or downward march of the Hilsa. The government should heed the advice of the National Commission on Agriculture and make similar arrangements in the original designs of new river valley schemes so that the course of migratory fish is not closed.

Traditional fish catching techniques continue to be used by inland fishermen to this day. The Central Institute of Fisheries Technology has obtained good results by operating nets of improved variety. It is unfortunate that these developments have not percolated so far to the fishermen.

Considerable progress has been made abroad in producing seed fish by controlled breeding, spawning and nursing and rearing of young fish. Hatcheries have been considerably modernised with the application of temperature control and other devices. In this country also fish culture has made some advance during the past two decades as a result of researches conducted by the Central Inland Fisheries Research Institute. This has spread carp culture to various parts of the country. Success has been achieved in breeding major carp under captive conditions and rearing of spawn fry has been considerably improved. Cultural experiments have been made by utilising different inputs such as manures, fertilisers and artificial feed which have given production in farm ponds up to 3000 kg per hectare.

The capacity of seedfish farms developed by various states is hardly four per cent of the requirements. Possibilities of establishing such farms exist at medium or major irrigation reservoirs. The use of fertilisers or organic chemicals for fish culture however is limited by the other uses to which this water is put. For example it can affect the purity of water for drinking purposes.

Many state governments have not shown as much interest in the cultivation of fish culture as it deserves. There are reports that funds allotted to fishery have been diverted to other purposes. It is not realised that pisciculture is non-consumptive of water, which is required only as a living medium by fish, and does not interfere with any other uses to which water may be put.

Systematic development involves survey of the waters available for fishery, elimination of predatory fish, collection of local varieties and import of new varieties, rearing in fish farms and hatcheries and distribution to lakes, rivers or reservoirs.

Marketing of the catch is no less essential. Unless fishing becomes remunerative and fisherman gets his due, there can be no real growth in the industry. Fishermen are an exploited lot, more so because of the perishable nature of their commodity. Cooperative federations for marketing of fish at reasonable prices and provision of wherewithal such as feed, fertilisers and fishing tackle are necessary to rescue fishermen from the clutches of middlemen who pocket most of their earnings.

The prospects of fishery as a source of remunerative employment to the economically backward fishermen are vast. A concerted effort at modernisation of the industry is essential to bring out its full potential as a source of nutritious food and as a sizable foreign exchange earner.

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CAPITAL'S CORRIDORS

R. C. Ummat

Power outlook • IAAI's breakthrough

EVEN THOUGH no electricity generation set has been retired due to obsolescence during the current Plan period so far, notwithstanding the fact that while drawing up the tentative 1978-79 capacity target three years ago, account had been taken of nearly 600 MW old capacity going out of commission, the programme of raising the generation capacity to about 33,000 MW — not to speak of the levels of 41,500 MW and 36,000 MW, which used to be mentioned in 1972 and 1973, respectively — by the end of the above year is unlikely to be achieved. In fact, it is feared that the installed capacity by then may go up to not more than 30,000 MW.

significant reason

The inordinate delays in adding to the nuclear generation capacity, which have been caused to no small extent by the developments following the Pokhran explosion of a nuclear device over two years ago, indeed are a significant reason for the unlikelihood of the total generation capacity being raised by 1978-79 to approximately 33,000 MW. But the progress in the other two fields — coal-based thermal power and hydel generation — too has been below expectations — of course, due to mounting costs, paucity of funds and certain other unanticipated difficulties encountered in putting up new capacity, particularly in the hydel sector. The addition to capacity in the first year of the current Plan period has been of the order of 1,720 MW and in the second year to the extent of 1,800 MW, raising the total capacity to about 22,000 MW. Nearly 2,006 MW capacity is expected to be added this year. The addition in the next two years is envisaged to be 6,500 MW, as the completion of some hydel projects will accelerate the pace of growth.

It will, however, be uncharitable to deride the slow growth of capacity. The tempo of development, surely, has picked up significantly during the last two years. This should be evident from the fact that the addition to capacity in the terminal year of the fourth Plan period was not even one-third of the addition in 1974-75.

Despite the addition to capacity being not according to expectations, the power supply position in the country at present, however, is quite comfortable. During the rest of the current financial year also, it is likely to remain so, some shortages being felt only in Maharashtra, Karnataka and the north-eastern region. This is due to the fact that operational efficiency in the existing units has improved considerably and concerted efforts are being made to bring down the high transmission losses, including theft of power. In such states as Punjab, UP and Rajasthan, where the transmission losses were abnormally high two years ago — between 25 and 33 per cent — they have been brought down to between 17.5 and 22 per cent.

forced outages

The percentage of forced outages of power plants too has shown a significant decline — from 13.3 in 1974-75 to 12.8 in 1975-76. The time taken for planned maintenance has been reduced from 72 days in the first half of the last financial year to 65 days in the second half. The overall increase in the availability of power last year was of the order of 13 per cent, in spite of the thermal capacity not being utilised to the extent it was possible to do so as the hydel generation had picked up markedly. A further increase of slightly over 10 per cent in power generation is expected this year.

If the deliberations of the last week's meetings of the state ministers of power and the chairmen of the state electricity boards are any indication, another important change can be expected in the future planning of power projects, which should augur well for the long-term power development programmes. The change is that the importance of regional growth is now being appreciated in a much greater measure than had been the case hitherto when state-wise approach was preferred. The administrative, financial and commercial problems involved in regional planning are envisaged to be worked out by the states among themselves, with assistance from the union ministry of Energy.

integrated operation

Owing to the increased appreciation of regional approach to planning, the work on integrated operation of systems too has been speeded up in the recent past. It has been decided that a study group should be set up to go into the question of tariffs and commercial arrangements necessary for maximising integrated operations.

Another heartening outcome of the last week's deliberations has been that the consumer interests are now proposed to be catered for in a much better way through improving the quality of power supply. It was agreed that schemes for improving the distribution system should be expeditiously prepared by the states and included in their plans.

With a view to ensuring that the envisaged addition to capacity this year — 2,006 MW — actually materialises, it has been decided that the progress of construction should be concertedly monitored to obviate slippages due to avoidable reasons.

Some of the other important decisions taken by the last week's conference of the state ministers of power were:

(i) There is need for professionalising the management of state electricity boards and increasing the levels of specialisation through introducing appropriate institutional arrangements. The personnel management wings of the state electricity boards should be strengthened for imparting training to power engineering cadres.

(ii) The need to reorganise the power engineering services, so as to enable meritorius engineers to assume higher responsibilities at younger ages, was reiterated. It was decided that such engineers should be given wider experience and exposure to modern management methods.

preventive maintenance

(iii) The decisions taken by the chairmen of state electricity boards for reducing duration of planned and forced outages, introducing preventive maintenance techniques for reducing the incidence of forced and partial outages and for implementing the Kulkarni Committee report were endorsed.

(iv) The necessity of larger internal resource generation by state electricity boards, particularly by reducing the TRD losses, cost of generation and overheads was accepted. The procedure for obtaining loans from the LIC, it was felt, should be simplified. Interest during construction of power projects should be capitalised. Boards should be enabled to have equity capital. Modern methods of management should be introduced in the working of the boards so as to increase the levels of efficiency and reduce costs.

(v) Emphasis was laid on the need for the early integration of power systems, so as to increase the efficiency of use of generating capacity. For this purpose, the decisions taken by the chairmen state electricity boards, it was stressed, should be implemented vigorously.

(vi) Perspective plans for rural electrification should be prepared.

(vii) It was agreed that there was urgent need for taking up new projects for the sixth Plan. The need to have an optimum hydro-thermal mix in power planning was recognised and the importance of long-term planning for power development and a judicious and timely identification of projects for detailed investigations and preparation of reports, was stressed. In hydro-electric power planning, the need for adopting procedures to ensure preparation of project reports with adequate investigations and realistic parameters of cost and time-schedules was reiterated. In view of the capital-intensiveness of projects and recognising that hydro-electric sources and coal sources are not available in all parts of the country, a regional approach to power planning was endorsed. It was decided that proposals for taking up power projects in partnership would be explored, and issues of sharing of cost and power and arrangements for funding would be examined.

(viii) In view of the limitations which the state electricity boards face in raising adequate funds from non-budgetary sources, the need was felt for a comprehensive review of the problem for simplifying and augmenting the availability of funds from different sources.

Like the Bharat Heavy Electricals, which, following the award of a prestigious contract for boilers by New Zealand recently, has booked another giant order worth Rs 102 crores from Libya for putting up a power station there, the International Airports Authority of India (IAAI) has achieved a breakthrough in undertaking turnkey projects abroad. This public sector enterprise too has bagged from Libya Rs 36 crores contract for constructing an airport at Ghat. The contract has been secured against stiff competition from some of the advanced countries of Europe. The main works at the Ghat airport would comprise the construction of airfield pavement areas. The National Building Construction Corporation, another public sector undertaking, is to be associated with the execution of the contract.

Disclosing the above at a press conference here recently, the chairman of IAAI, Air Marshal H. C. Dewan, also revealed that his organisation had been registered with the World Bank and the Asian Development Bank as airport consultants. It had developed its own techniques for airfield pavement design using a multi-layered system in which each layer was designed economically using local materials as far as possible. Enquiries, Mr Dewan further stated, had been received from many countries for consultancy and construction of airports. In several cases, negotiations were in advanced stages.

Another important breakthrough achieved by IAAI in the recent past has been in the production of indigenous equipment for airport lighting systems. Until recently, there was a complete dependence on imports of such equipment.

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Exports : brighter days ahead

Prof. D. P. Chattopadhyaya

This is the text of the address of Prof. D. P. Chattopadhyaya, union minister of Commerce, at the seminar on export and production perspective : 1980-81, organised by the Federation of Indian Chambers of Commerce and Industry in the capital on July 20-21, 1976. Prof. Chattopadhyaya, after reviewing recent developments in India's export effort, has come to the conclusion that the outlook for the future is bright. He feels that increased responsibility rests on leaders of industry and trade in furthering the national interests of promoting production and exports.

THE RECENT economic history has distinctly revealed that foreign exchange is not only an important but also a critical element in the process of economic growth, especially if economic development is undertaken on a long term and sustained basis. The foreign resources not only provide a developing country access to imported capital goods, raw material and technology, not available within the national boundaries, but also help in bridging the 'savings gap' which often stands in the way of rapid economic growth of most of the developing countries. Among the means of acquiring access to foreign resources, the most important is export of goods and services in addition to assistance from international institutions and friendly countries. Since, however, the latter sources of external finance are not very stable, the developing countries have to rely on exports of goods and services in order to earn the maximum amount of foreign exchange for development purposes.

proportion of GNP

Although in the case of developing countries, generally exports form a small proportion of the gross national product, but given the necessary directions and appropriate efforts, exports can enhance the process of development and growth of an economy. This, however, presumes a system of world trade where there are not many obstacles against the exports of developing countries. In our country, although presently exports form around six per cent of the total gross national product, but with necessary drive and initiative, it is possible to expand the share of exports, especially in industries and sectors which are faced with inadequate domestic demand. Also, it should be possible to expand exports of invisibles, particularly consultancy services and the like in view of the fact that we have now a much more diversified industrial base and the country has acquired the expertise for setting up and commissioning of a number of turn-key industrial and non-industrial projects in a number of foreign countries.

POINT OF VIEW

In the initial stage of economic development in the country, a number of industrial projects were set up primarily to meet the domestic demand and as a means of import substitution. Among these, mention may be made of items like railway wagons, coaches, locomotives, transformers, switch-gears, transmission line towers, etc. With the expansion of industrial production in the country, it has not only been possible to meet the domestic demand in respect of these but also develop surplus for exports. For example, as a result of a major programme for rehabilitation of the railway system in the country, a new situation has now emerged, when India is able to export locomotives, coaches, wagons, track equipments, etc, on a competitive basis and of international quality standards. Similarly, the rural electrification programme undertaken primarily for the purpose of taking electricity to the villages, has enabled us to establish units to meet our requirements of generators, transformers, switchgears, transmission line towers, etc. Apart from meeting the domestic requirements, we have now come up in the international market for exporting these goods. I would not like to multiply the examples, but probably the same can be said of a number of other products like iron and steel, chemicals, plastics, paper and others. Thus, it is evident, that, what we had originally started as import substitution items, have turned out to be some of our major non-traditional products of exports.

export surplus

In a country with a growing population, export surplus can only be obtained without causing undue strains on the economy, in case the production of the items keeps pace with their demand, internal as well as external. This will indicate the close and reciprocal relationship between the external demand and the need for a continuous expansion in the production base of the export items. In order to achieve this, the various production targets always keep in view not only the domestic demand for the items but also perspective external demand from export sector and production plans of export-oriented units are given priority and special facilities.

In the agricultural sector, there are a number of products which have substantial growth potential. Among these, mention may be made of sugar, quality foodgrains like basmati rice, cattle feed, besides the plantation items like tea, coffee, pepper, etc. In the annual plans special care is being taken to undertake programmes and schemes which increase the output of these items through provision of all essential inputs. I need not recapitulate the special efforts which have been made to promote the export of sugar from the country and success we have attained in this sphere.

The recent trend of global trade indicates a number of products where international demand is growing at a rapid rate. These

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include textile garments, engineering goods and iron and steel products, etc. Significantly, these are also the growth items which have been identified by us and efforts are being made to provide the necessary inputs so that their exports can be expanded at a rapid rate. Thus in the textiles group special emphasis is being laid on export of garments and made-ups, both of fine, superfine and mixed fabrics which earn a larger amount per unit as compared to the export of cloth only. So far as the exports of leather and leather manufactures are concerned, not only has an export quota for hides and skins been fixed, but in order to assist exports, the import of leather machinery has been put on the Open General Licence from this year. A number of steps have already been taken for promoting the export of engineering items from the country. With the opening of the Suez Canal, the export of iron ore is being diversified by promoting its export to west European markets. A beginning has also been made in the field of export of aluminium. Continuous efforts are being made for larger export of items like cement, coal, etc.

turnkey projects

Besides the export of commodities, special emphasis is being placed on export of turnkey projects and setting up of joint ventures abroad with Indian know-how and technology. With the substantial amount of technical man-power available within the country and experience of setting up a variety of projects in different industrial and non-industrial fields, it should be possible for us to undertake a number of turn-key jobs in foreign markets. We have won tenders for setting up a number of turnkey jobs and as the times goes by, this should expand rapidly. The establishment of joint ventures in foreign countries not only provides a market for Indian machinery and raw materials abroad but also throws up opportunities for other services like consultancy, commissioning, planning, erection, etc.

Your president in his address has referred to a number of important points. It cannot be denied that a substantial part of our recent expansion in exports was because of the global inflation. In view of the fact that the prices of primary products have now declined, increase in exports in future would have to come about through a greater expansion in absolute volume.

I am not a crystal gazer and therefore would not like to venture a comment on the future trend of world inflation. However, I would suggest that exports should be expanded to the optimum extent possible, so as to utilise the full potential of the economy. It is only through realisation of this potential that it will be possible for the economy to achieve a level of exports, which would not only cover the import requirements but also the interest element in debt servicing and thus accelerate the pace of self-sustained and self-reliant economic growth.

Reference has also been made to the disabilities which reduced the competitiveness of our exports in the world markets. I would not like to reiterate the various concessions we have given to the export-oriented units, but would like to add that for wholly export-oriented units, we have already established free trade zones at Kandla and Santa Cruz. From this year, imports of raw materials and other items for the units located there have now been placed on the Open General Licence and thus import licensing formalities have been done away with.

Fast developments and changes are taking place in the world economic scene. Efforts are being made to establish a New International Economic Order where the developing countries have a major say in the matter of exploitation, marketing, and distribution of their resources, so that they are able to earn the necessary foreign exchange for carrying forward the process of economic development and growth of their economies. We have been continuously lending support to this at various regional and international forums. We have taken active interest in the establishment of Pepper Community, Association of Iron Ore Exporting Countries and other commodity arrangements so that it may be possible for the primary producing countries to earn increasing proportion of their foreign exchange by way of export of processed and semi-processed goods and manufactures based on raw materials produced within the national boundries. As time goes by, I am confident this process will gather momentum notwithstanding the slow pace with which it may move in the beginning, and even occasional setbacks.

Before concluding, I would like to mention that the outlook for the future should not be one of pessimism — but one of brighter days, studded with new achievements on the frontiers of production, exports and development. You have rightly noted that increased reponsibilities rest on the leaders of industry and trade in furthering the national interests of promoting production and export, and I would hope that you would perform the role assigned to you, especially when different sectors of the economy have registered impressive performances, as a result of the speedy implementation of the new economic programme.

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Manager

Rural banks and agricultural development : I

S. N. Bhattacharya

The author has, in the first part of this article, reviewed the place of agriculture in our five-year Plans followed by a discussion on the realities of the green revolution. In the background of this analysis, he has examined the role that we may expect the rural banks to play in improving the farm sector. The second part of this article which discusses the problems which the banks have faced or are likely to face in assisting the agricultural sector along with some concluding observations will appear next week.

AGRICULTURE WILL remain India's major problem for many years to come. Economic development through industrialisation is inseparably linked with success in agriculture. Highly industrialised nations have all a very strong agricultural base; conversely, nations with indifferent performance in agriculture are underdeveloped and poor, despite in many instances being rich in mineral resources.

Indian agriculture is now undergoing unprecedented changes that are both quantitative and qualitative. Looking back over the developments during the past five or six years one cannot but be struck by what has been achieved in a sector which had remained tradition-bound and largely stagnant for centuries and has always been regarded as not susceptible to any quick transformation. The application of science and technology to agriculture with its ingredients of high-yielding seeds, chemical fertilisers, pesticides and water management has opened up new vistas of crop yields from farms, irrespective of their size and achievement of levels of income to farmers that were not even thought of a decade earlier.

the beginning

Admittedly the process is only now beginning and is not yet all pervasive. There are areas where the new technology is yet to make its full impact. There are crops in which significant break-through has yet to be achieved and there are farmers who, for one reason or the other, have yet to reap the benefits of the new strategy[1].

The purposes of the present study[2] may be summarised in the following way: First, an attempt has been made to study very briefly the place of agriculture under our five-year Plans; second, an analysis of the realities of "Green Revolution" has been made; third, an effort has been made to examine the role that one may expect from rural banks in improving the farm sector; fourth, a further attempt has been made to study various problems these banks have been facing (or may face) in delivering the goods; and fifth, out of foregoing analysis, some concluding observations have been made which are subject to change, should more extensive data become available.

secondary sources

At the very outset, one would like to point out that the present study is based on secondary sources for its data, information etc. which have duly been acknowledged.

The priority[3] which agriculture has been enjoying in national planning has not been altogether consistent. At the time of the formulation of the first five-year Plan, the deficiencies in food and major cash crops such as jute and cotton were so marked that agriculture received the foremost priority, as a matter of course. The very success achieved in the first Plan by way of increases in agricultural production, particularly in foodgrains, created a certain confidence which was to a large extent responsible for agriculture receiving comparatively less importance in the second five-year Plan, though the actual outlay on agriculture and community development together in in the second Plan was substantially larger than in the first.

In the second Plan period up to 1958-59. agricultural production rose at the annual rate of about four per cent as against 2.8 per cent in the first. Apart from the fact that, as in the case of foodgrains, the annual increases were sharply erratic, the accelerated growth in population, running at two per cent per annum, changes in food habits, increase in the purchasing power of the people and the need to earn foreign exchange by enlarging the exportable surplus, called for a reassessment of the priority which food and agricultural development should have received in the third Plan.

buffer stocks

The setback in food production in 1957-58 and the somewhat unusual behaviour of food prices in the succeeding year when the crop was the biggest for any year clearly indicated the need for an even larger rate of increase in production and for substantial buffer stocks on which the government could draw when market arrivals tended to be sluggish.

Needless to say, the experiences of the second Plan, some of them agreeable, others less so, played a great part in the shaping of policy and methods for agriculture in the third five-year Plan period. In the third Plan, foodgrains production again claimed top priority. The target of foodgrains production in the third Plan period was determined by the requirements of a population which was estimated to increase at the rate of about two per cent annually, a well-marked growth of urbanisation and the requirements of increased per capita intake, resulting from increase in incomes. These factors governed the demand. For supply to match this demand, the potential and prospective resources in land, water, fertilizers, seeds, credit and improvements in organization and management had to be utilised to the optimum. On these considerations, a target of production capacity of 100 to 105 million tonnes was fixed. Even if an output of 100 million tonnes was secured in 1965-66, it could be deemed sufficient. The extra five million tons provided for was by way of a cushion against unforeseen difficulties.

In the fourth Plan, foodgrains production again claimed top priority. The mid-term appraisal of intensive agricultural performance showed that the agricultural production programme itself had to be revitalised. If our dependence on imported foodgrains had to cease, it was necessary to make far greater use of modern methods of production and to bridge the gap between demand and production by the application of the latest advances in the science of agriculture. A new strategy or approach was needed if we were to achieve results over a short span of time. As a result of the trials conducted in several research centres in India on exotic and hybrid varieties of seeds, a breakthrough was achieved. These varieties were highly responsive to a heavy dosage of chemical fertilisers.

culmination of trends

The necessity for concentrated and integrated efforts on specific production programmes in areas where assured availability of water could facilitate the large quantities of fertilisers needed for high-yielding varieties of seeds, had not arisen suddenly. It was the culmination of certain trends hastened by the breakthrough in the matter of seeds and the change in the attitude of the Indian cultivator towards chemical fertilisers.

The long-term objective was to organise the use of high-yielding seeds together with a high application of fertilisers over extensive areas where irrigation was assured. It was operated mostly in the IADP and IAAP areas as these offered the maximum potential for production and were better provided with staff and other facilities. It may be stated that though priority in the allocation of essential inputs was given to these areas, there was no question of ignoring the non-intensive areas in the provision of inputs and administrative and technical personnel. It may be added that in the areas selected for concentrated effort, there was to be no discrimination[4] between cultivators on the basis of resources or the size of holding.

In the fifth Plan, the emphasis[5] on agriculture is still being continued. It would be the country's endeavour to realise in full the various crop targets; meanwhile, the reorientation which the agricultural economy has started receiving ever since the advent of the first Plan is leading to a gradual transformation in rural life in which more and more enthusiasm on the part of the cultivator is being rewarded with more and more material benefits.

Green Revolution

How green is the green revolution[6]? For the proponents, be they participating farmers or interested observers, the revolution is green enough such as it is. It is so particularly when stripped of the social ideology namely, that even in its formative stages — and this is where the green revolution is — it can be a cure for poverty, inequity, and so much else that bedevils rural India. For the former enthusiasts who have undergone a conversion of faith it is easy to denigrate it on such grounds as 'Prosperity for whom?' or 'Not so Green Revolution', or 'Indian Agrarian Revolution — Is it a Fact yet?'. These questions impute to the green revolution a good deal of fact and fancy, the sum total of which tends to blur, if not distort, what it has accomplished, what its potential might be, and what clearly it cannot do and why. Regardless whether the gaps between the proponents and opponents can be bridged or narrowed, something may be said briefly about the recent past and future prospects.

Leaving aside the unjustifiable claims in areas other than productivity, the term 'green revolution' suffers from the word 'revolution'. It is so even if it is endowed with strictly production functions. The word revolution stands for a sharp break from the situation that existed before the revolution. It implies also that transformation can be attained quickly. Thus defined, 'revolution' is a millstone around its neck and many of the ills ascribed to the green revolution flow from it. But if it is viewed more modestly as evolution in the process of finding a way out of the customary behaviour of traditional agriculture, it has served the country well, all the constraints notwithstanding. It must be asserted that the failure to live up to its production potential is centred on the well-known proposition that 'Nobody has been able to invent a cow which will give milk without being fed.'

This is at the heart of the unrealised potential where the technology is firmly implanted, and why so many crops have not been touched by it. The fault does not lie with the inherent advantages of the technology; their sophistication to raise yields has been proved. Rather, the fault lies with the failure to help them along in a variety of both man-made and natural inadequacies encompassing skills, irrigation facilities, allocation of resources, and the whole gamut of physical inputs, research organisation and communication. The point to stress, however, is that the existence of a breakthrough away from traditional agriculture is in the making and it matters not whether one marks it 'revolutionary' or just plain 'evolutionary'.

selective technology

Evidence on the credit side of the ledger is just as obvious as the evidence on the debit side. The new technology is selective as to the types of farmers and areas of concentration, but larger numbers of relatively small farmers are part of it as well. To be sure, this does not overlook the fact that for lack of resources multitudes are only onlookers of the new development. The importance of the dramatic increase in inputs cannot be exaggerated. On this score one is almost tempted to use the questionable term 'revolutionary'. Wheat yields have doubled, intensity of cultivation has increased measurably, farm income has increased sharply, farm labour input has increased and is so far a net gainer, and the prosperity thus engendered extends beyond the farmsteads, into various entities of the rural and urban communities.

Global statistics do not help the credibility of the green revolution, for it has been demonstrated that the trend rates of growth in production as well as in productivity before and after the green revolution do not differ materially. They tend to overlook, however, a number of developments such as wheat, rabi rice grown in favourable conditions, and one might also add that in some of the traditional rice-growing centres promising strains are afoot. This points not only to what high-yielding varieties produce, or can produce, but also to the salutary changing response of the farmers; Kusum Nair,[7] a close observer of the agricultural scene, once wrote that 'of all the variables in agriculture the farmer is the most crucial and the least predictable.' The latter part of the statement probably still holds, but it would not do to deny that, being rational in economic terms, the participants and even the mere farmer-observers of the changing picture have 'voted' for the change when it is within their reach. Far from sweeping rural India, the new technology in its present state has nevertheless initiated a salutary change in traditional production patterns along with a psychological urge for better farming and living. These, as nothing else, nourish the promise of future agricultural progress.

pessimistic view

One of India's outstanding economists looks at the same scene and arrives at a more pessimistic assessment. K.N. Raj[8] is firmly of the opinion that barring a change in the institutional framework of agrarian economics technological changes cannot bring about the hoped-for transformation of traditional agriculture. As it is, the green revolution creates only an "enclave" or a "dual" agricultural economy. Mexico with its "green revolution" has done just that. Since institutional reforms are meeting with resistance, the stress on purely technological changes is inevitable, and hence Raj's[9] conclusion;

"The result is that....the availability of modern technology leads very often to dualism in the agricultural sector rather than to transformation of traditional agriculture." One's personal observation in Mexico supports the conclusion as far as Mexico is concerned, but it does not fit the Indian case; the technologies are locationally and financially differently conceived in the sense that only the biggest holders of Mexico are involved. They represent the new "latifundistas" which the Mexican agrarian revolution[10] is supposed to have abolished. In contrast, the existing "dualism" in India has taken place in areas also affecting holders with as little as five to ten acres. This is not an argument for condoning, for example, the stagnation of agrarian reforms, but even within this constraint the technology can be pushed into new areas so long as more inequitable allocation of resources in hand and other impediments are eliminated. But if this is to be achieved, and if India is to become self-sufficient in food, the issues raised here must be dealt with the seriousness they deserve.

real cure

The cure of these realities, imbalances in regional agricultural development and rural poverty, lies not in minimising or restricting the spread of the new package of practices. The contrary should be pursued, for even if what India has now is an "enclave" although one extending to about 15 or more per cent of the cultivated acreage, it has demonstrated not only what it cannot do but also what it can do. The latter is vital. The government of India is anything but blind to the need of expanding the technology into areas not touched by it. The events of the past year make it critically obvious that because of the monsoon ficklessness a more stable agricultural economy is a "must". It knows, too, that for the first time it has a handy tool to do so. The question is whether this potential can be transferred to new, agriculturally-poor and more difficult areas of the country.

In trying to answer this question it is assumed that there is nothing inherent in Indian agriculture which is immune to human effort and scientific application, particularly if it is combined with appropriate policies at political, economic and organisational levels. The effectiveness of this trinity is of utmost importance because the transfer of a useful package of practices into the dry-land regions, for example, many of them crowded with illiterate subsistence farmers, presents infinitely more difficult technical, financial and organisational problems than in a prosperous Punjab. In retrospect, the Punjab package was a "sure thing", but no such assertion can be made about the greater part of the so far untouched acreage.

The principles upon which the new agricultural strategy was based are universal and in theory they are applicable to dry land as well. In practice, however, the ecological and human setting is much more demanding in technical knowledge, financial resources and their allocation. The familiar inputs such as water, suitable varieties of seeds, fertilisers and so on will be part of the mix, but the mix is still an unknown quantity until suitable techniques are developed to use a minimum of water for a maximum output. Only time, effort and much else can provide the answer. It is up to the government of India, therefore, to see to it that the talent and resources at its disposal are actively engaged in the service of the next stage of the green revolution with whatever adjustment regionalism might call for.

crucial point

One thing is fairly clear: those who cast aspersions on the technology should keep in mind the crucial point that neither farm prices and incentives nor structural changes can solve the problem of productivity and more equitable distribution of income where the suitable technological solution does not exist. The efficacy of favourable prices, incentives and useful changes in the rural structure is fully recognised, but the fact remains that traditional inputs do not produce high yields, and high yields are the controlling factor in any meaningful strategy of agricultural development regardless of the region. As part of that strategy, the government of India acted properly in concentrating on selected areas which offered greatest returns. The time has come, however, to shift attention to the technically, economically and socially less favourably placed agricultural sections of the country. Admittedly, this will be by far the most difficult task and a test of the coming changes in the Indian agricultural economy.

In the debate on the merits and demerits of the fifth Plan the prime minister stressed[11] this when she stated among other things that the issue "is not a question of money alone", that "our main failure in development has been because we have not been able to mobilise the rural community." Mobilising the rural community means a gamut of decisions and actions including agrarian reform implementation, long-overdue farm taxation of the well-to-do farmers, administrative tuning up, timely execution of rural development priorities, and correcting institutional bottlenecks such as the manner in which credit and inputs are distributed.

Availability of credit, a key factor in the spread of the green revolution and in determining the returns from its adoption, is a good example of what is at issue. It is well-known that the annual rise in the total co-operative credit loans advanced neither makes for its equitable distribution nor for better management of the rural co-operative structure. This is a familiar story and not of the making of the new technology. One cannot but agree with Vyas[12] that "The security oriented credit policy, procedural tangles, and the.....power, equation in the countryside compromise the effectiveness of these institutions." Equally fitting for a resurgent rural economy is an industrial green revolution with a sharply stepped up growth rate and overall beneficial distributive consequences flowing from it.

only option

Surely some of these problems will have to be taken in leash simply because this is the only option open to the country to raise the food output to feed its rising population. The alternative of expanding acreage to increase production no longer exists. Here India is up against the wall, and it cannot be stressed strongly and often enough that augmented productivity can come only as a result of better practices, which is to say that the ways and means to bring that about will have to be both strengthened and newly created. The obstacles to realising this cannot be underestimated. The prospect, however, is not without a silver lining in this respect. Some parts of the country have gone a long way in that direction. That this has taken place in those regions where conditions are more favourable does not minimise the all-important lesson that Indian farmers are capable of absorbing productive technology given the opportunity to do so. Therein lies the promise that, however difficult the task ahead, the story of the green revolution need not end with Punjab, Haryana, Western UP and scattered islands elsewhere.

The prime minister's 20-point economic programme[13] lays great emphasis on providing the benefit of economic development to the large number of the weaker sections of our people, namely, small and marginal farmers, agricultural labourers, small traders and village farmers. The rural people have to be saved from the cultches of money-lenders.

regional banks

In the first five years[14] after nationalisation, the 14 banks opened 4,889 new offices, of these 2,509 or 51 per cent were in rural areas In 1970 there were, 1,448 rural branches which went up to 3,195 in 1974, an increase of 120 per cent in four years. Of their 9,017 branches in 1974, 35 per cent was in rural areas, 27 per cent in semi-urban and 19 per cent in metropolitan cities and port towns.

The government of India proposes[15] to set up 50 regional rural banks in various parts of the country by April 1, 1977 "subject to manpower constraints".

Each regional rural bank[16] may have an authorised capital of Rs one crore and a paid up capital of Rs 25 lakhs. The share capital would be raised by the government of India, the state government concerned and the sponsoring bank in the ratio of 50:15:35. There will be no participation of other industries and individuals in the equity of the regional rural banks.

The net national product of India,[17] which was Rs 208,01 crores in 1965-66, now stands (at current prices) at Rs 496.28 crores, while the per capita income during the same period rose from Rs 426 to Rs 850. It is necessary that the benefits of this development should go to the weaker sections also. These regional rural banks are expected to be qualitatively different from other commercial banks. Science and technology have brought new hope in villages where only 10 per cent are affluent and the remaining 90 per cent poor both in respect of raising deposits and granting loans for production as well as for necessary consumption needs.

Agricultural development along with the development of subsidiary occupations in animal husbandry and fisheries and development of forestry, including farm forestry, requires substantial capital and short-term finances. The National Commission[18] on Agriculture has done a detailed exercise on the possible requirements of funds for agriculture and the subsidiary occupations, provided various plan formulations are implemented. At present, a substantial portion of the short-term credit in the rural areas is obtained from the money-lenders and the large agriculturists. The impact of both co-operative lending and commercial lending has not exceeded 40 per cent of the estimated requirements.[19] With the debt redemption legislation for the small and marginal farmers sources of funds from the moneylenders will dry up. The institutional sector will have to fill in this gap 100 per cent and that too in a very short period.

filling the gap

Financial requirements for capital build-up and capital investment is possible only for the very rich in the rural areas. Most of the others, if required to take part in modern agriculture and modern subsidiary occupations, will have to look to credit institutions for funds. Without such funds, the necessary improvement of infrastructure and obtaining capital resources for subsidiary occupations will be impossible. Taking all these into consideration, the commission has worked out that credit requirements by 1985 for full coverage will be of the order as shown in the table on page 233.

Thus total credit requirements in the rural sector by 1985 are expected to be Rs 16,549 crores which indicates clearly the task ahead. Surely all this will not be accomplished by the institutional sector by 1985. Taking a realistic view of the possible growth of credit, the commission has also estimated the extent to which credit will be built up. For livestock and fisheries development no graduation is considered necessary since the programme is considered to be the minimum. By 1985, credit of the order of Rs 9,400 crores will be required. It is also suggested that 45 per cent of the 1985 level for short-term loans and 40 per cent of the medium and long-term loans should be met by the end of the fifth five-year Plan itself. By 1979, the commercial banks are expected to cover nearly two fifths of the requirements. It has to be kept in mind that the national programme of farmer service societies supported by the rural banks will be substantially financed by the commercial banks. The whole system is an operation of spread of rural banking aiming at mopping up rural resources for rural lending.[20] The progarmme may not be beyond the capacity of the commercial banks but it does require a great deal of organisation.

vital programme

The banks are already familiar with the short and long-term lending for agricultural development and subsidiary occupations. Recently, the banks have also ventured into the field of lending for forest corporations. It is not, therefore, necessary to expatiate on the details of this programme to any great extent. The real difficulty that the banks will face, will be in supporting the village industries programmes, the food processing programmes and the tertiary sector growth in the rural areas. These programmes are vitally necessary for both tapping rural prosperity and providing employment of a remunerative kind to the large rural labour population including the educated unemployed. This sector is by and large self-employed, but not very gainfully, at present.

Rural banks (commercial banks as well as regional rural banks) have to play a dynamic role in meeting the growing demand of credit along with other organisations. Various studies[21] indicate that one of the reasons for which the benefits of green revolution cannot be spread is the lack of adequate credit which fails to reach the majority of the farm people who are not in a position to follow the new strategy of agriculture through high-yielding varieties of seeds, modern inputs, implements etc, due to their financial inability in most of the cases. Therefore, in our country, perhaps more than anywhere else in the world today, rural banks have to play a critical developmental role which has been put in sharp focus by the "20 Point Economic Programme" launched by our Prime Minister. Rural banks should be looked at from the point of view of community-based organisation and they should take steps on an organised basis to blend their economic goals with social gains.

India's development depends to a great extent upon how agriculture behaves in the years to come. Most of our rural people live in villages and most of them also live on agriculture. Therefore, in any growth-oriented approach, it appears to be desirable that adequate return from agriculture is made possible and the same is to be sustained on a permanent footing. When this surplus is generated in the farm sector, the next step is to utilise a significant portion of it for industrial development particularly for small, village and cottage industries to provide subsidiary occupations to the rural people so as to link agriculture with industries in the context of overall growth strategy for the concerned area.

But the generation of surplus may be made by any of the following strategies: Either, a very few well-to-do farm families may be taken up and be provided with necessary infrastructure to increase both capacity as well as income creating aspects and the surplus when generated out of their increased effort may be reinvested and a significant portion of it may be linked with industrial development in the area. Or the majority of the rural people are made to involve in growth-oriented activities of the area through increased farm income by providing a majority with the required infrastructure facilities as far as possible; and through their increased and meaningful endeavour, the possibility of increased economic surplus is largely opened which will have to be reinvested in such a way that a significant portion of it is linked with industrial development in a systematic manner.

Considering our approach[22] towards agricultural development, reliance should be placed on the second alternative mentioned above as a strategy to agricultural development, though experience[23] points out that in most of the cases it is a very few of the well-to-do in the farm community who are becoming better and

Credit Requirements by 1985 for Full Coverage

(Rs in crores)

	Marginal & small farmers	Medium & large farmers	Total
Short-term loans	2,193	5,691	7,884
Medium & long term loans	2,497	5,786	8,265
	4,690	11,459	16,149
Provision for machinery & implements			400
Total			16,549

Source: *Southern Economist*, March 1, 1976, p. 35

the poor poorer. So, this trend is to be reversed in the context of our growth strategy[24] for rural as well as for the country at large.

But in order to reverse the process in the desirable direction whereby the fruits of agricultural development may be extended to the majority, one needs amongst others (viz, adequate modern seeds, implements, etc,) enough credit—both for consumption and production purposes and this must go to the doors of the majority. Herein comes the key and significant role of the rural banks which are expected to rise to the occasion to bridge the credit gap between what is desirable and what is possible at the earliest through suitable agricultural finance strategy.

major factors

Such a strategy may note[25] the following factors along with others: First, effort is to be made to avoid scattered lending which confronts the banks with the insurmountable problem of supervision and follow-up of credit. Second, efforts may be made to evolve the strategy of intensifying agricultural lending at selected centres of rural areas. Only such areas as have a sizeable potential for investment lending are selected. Third, direct lending to the farmers may appear a costly process on follow-up. Canalisation of credit through approved intermediaries may be considered necessary if the overall cost of farm lending is to be kept within limits. Fourth, one should note that finance is not the be-all and end-all of agriculture. Timely supply of other inputs[26] like fertilisers and pesticides, provision of extension services by the local authorities and satisfactory arrangements for marketing the produce have to be arranged in a systematic manner.

This may suggest the need for multi-purpose co-operative societies or farmers' service societies which may undertake to canalise bank credit[27] to the farmer and also provide other critical inputs and services. Fifth, in view of the urgency of implementing the "20-point programme", it may be considered necessary that simultaneously with the increase in the scope of activities of the rural banks for farm financing other activities under these banks may be extended to cover the financing of rural artisans, cottage industries, retail trade and other economic activities in the villages.

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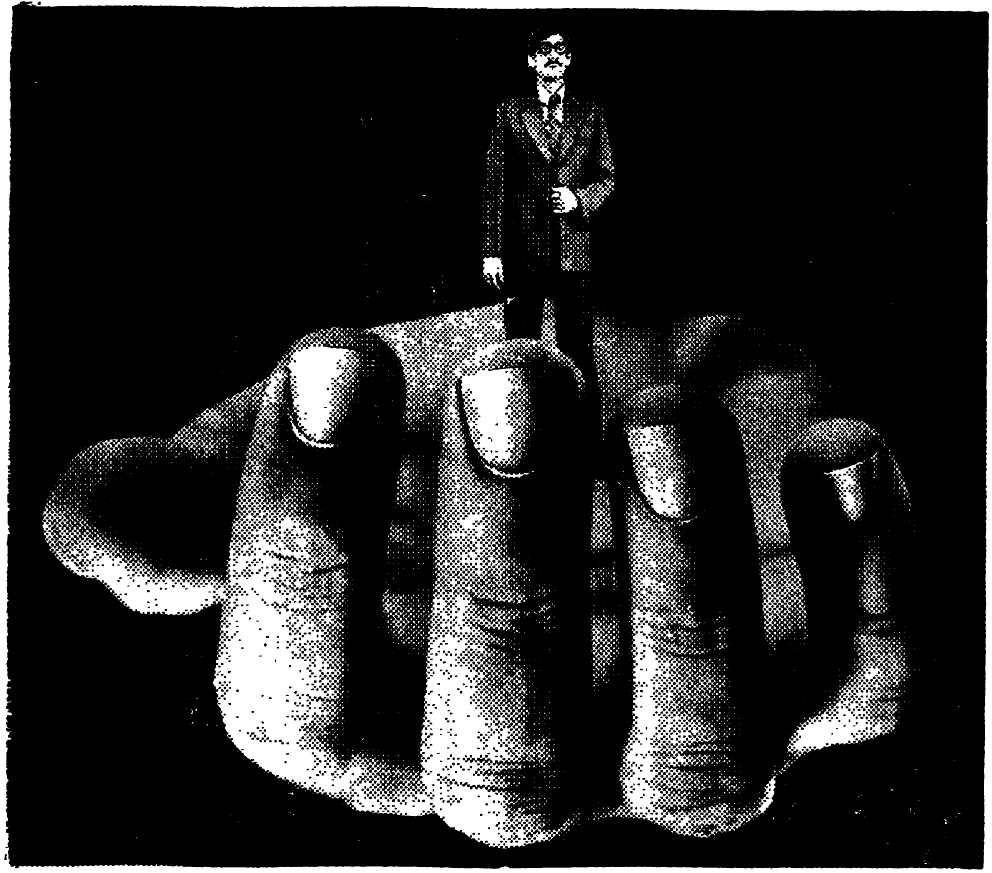

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Enough is enough

Ever increasing consumption in the developed world is damaging the environment; pre-empting resources and opportunities for development in the Third Word; and leading to a deterioration in the quality of life in the rich world itself. This article is based on a special report from Scandinavia on two movements campaigning against overdevelopment.

WINDOW ON THE WORLD

CHANGES IN the life-styles of the developed nations are now necessary—for the sake of the Third World, for the sake of the environment, and for the sake of the quality of life in the rich nations themselves. This is the hard core of an idea which, although a 'still small voice' at the moment, is growing noticeably louder in the industrialised nations.

Speaking on the twin issues of environment and development late last year, Dr Mostafa Tolba, Executive Director of the United Nations Environment Programme, said in Kyoto, Japan, that "new life-styles will be necessary in all countries, especially in the developed countries. In the rich third of the world" he added "real importance needs to be attached to creating a better quality of life and less to the maximisation of per capita consumption".

At almost the same time, an international symposium was being held in The Hague, Netherlands, to discuss the New Economic Order. Speaker after speaker stood up to make the point that the New Economic Order meant a transfer of opportunities for economic growth to the developing countries and that this represented not only a new hope for the Third World but also a new opportunity for the rich world itself to find a new direction. "We can and must redefine the persuit of happiness" said Mr C.I. Itty of the World Council of Churches. "Such a change in outlook" he added "is needed for a better quality of life in the developed western societies, for their own sake as well as for the betterment of the poor societies".

Meanwhile, a report was also being issued in Stockholm, Sweden, which goes into more detail on how and why this change in life-styles should be fought for. Published by the Swedish Secretariat for Future Studies, Cabinet Office, the report begins by saying that in 25 years time, Sweden will be consuming three times as much paper, six times as many chemicals, four times as much steel, twice as much food and four times as many industrial products. Sweden's population is not expected to grow significantly during those next 25 years. So what, asks the report, will these increases achieve ?

The conventional answer—a happier life for the people of Sweden—is beginning to wear a little thin. For many years the train of human welfare was pulled by the engine of economic growth, but now there are signs that the link may be weakening, says the report.

In short, the advantages to the Swedish people of having three, four or five times as much in the year 2000 are least open to question. The disadvantages, especially in terms of resource depletion and environmental pollution are not.

There may also be other equally serious dangers in consuming many times more. As a UNEP symposium in Cocoyoc, Mexico, has put it "Man has a limited capacity to consume material goods...it does not help us to produce and consume more and more if the result is an ever increasing need for tranquilisers and mental hospitals". These fears are not without substance—almost half of all the hospital beds in Europe and North America are now occupied by people suffering from some kind of mental illness.

new directions

The Swedish report, published in the 1975 Dag Hammarskjold Report under the title of "Another Sweden", argues that "The time seems right to choose a different direction for the future development of industrialised societies". The main recommendation of the study is that Sweden's consumption should now be stabilised and the nation's priorities switched to the task of improving the quality of the environment and to working out better relationships with the developing world.

Consumption of most kinds of meat, for example, would be stabilised slightly below present levels—approximately 15 kg per person per year—and more equally distributed within Sweden itself. Oil consumption would also be levelled off at the 1970 figure of 3.5 tons per head per year.

Consumer goods from cars to washing machines would be made more durable. Manufacturers would be compelled by law to make products to last for a legally stated length of time and to be responsible for the whole life-span of those products including scrapping and recycling. Many basic commoditiess uch as working clothes, shoes and bicycles would be sold on a non-profit basis. And almost all cars would be publicly owned and rented-out for use on medium and long-range journeys.

The authors of the report, Goran Backstrand and Lars Ingelstam, admit that "The global significance of these measures lies in the more than symbolic value of a rich country taking some note of its own declarations. But the major effect of implementing these proposals would be in their influence on the political climate of Sweden itself". They believe that the result would be a massive shift in attitudes "directed at the workings of the International Economic System and against the wasteful elements of modern life".

"It is all too easy" concludes the report, "to write-off, in cynicism or resignation, all hope for any willed change that is not forced by short-term necessity. But planned future decisions are better than crisis management and the events of 1974 and 1975 on the international scene in general and in the United Nations in particular, form a proper framework for a reappraisal. The time has come to go from words to deeds."

greatest problem

Across the border in Norway, a similar set of ideals is already moving from words to deeds. It all began when Erik Dammann wrote a book "The Future in Our Hands" arguing that increased consumption in Norway was bad for the environment, bad for the developing countries whose resources are being used to increase the wealth of the west, and bad for the people of Norway who were themselves suffering from too much emphasis on material goods. "Our greatest problems" he wrote "are due to the pollution of the environment caused by this abundance, exaggerated production of increasingly useless goods; intense industrialisation and the associated centralisation and dehumanisation of living and working surroundings; and the stress caused by growth and competition."

"Really we all know" he continued "that we exchange something important for something false when we give up leisure, family togetherness and the enjoyment of nature, to earn extra for a bigger car and finer furniture—which we could easily manage without."

The book provoked such a response in Norway that more than 2,000 people from all over the country attended a public meeting in Oslo to discuss the thousands of letters which the author had received. The result was a new movement which has begun to attract members at a rate of over 1,000 a month. People in towns and villages are forming themselves into "future in our hands" groups of 20 or 30 people to discuss the issues of environment and development and to begin changing their own lifestyles.

new life

So far, the movement is concentrating on a host of immediate practical aspects of the 'new life'—resisting unnecessary consumption, avoiding waste, growing food, seeking to rediscover enjoyment of the natural world, trying to establish less competitive relationships, distributing lists of second-hand shops and cheap recipes, sharing transport.

The political thrust of the movement is aimed at demonstrating that there is mass support for a fundamental change of priorities in Norway. "Only when the majority wish for a new mode of development and are willing to take the consequences of it" says Dammann will the necessary expertise be mobilised to solve the problem of redeploying resources.

We are not going in for a poorer life, but for a richer one he argues. "What is needed is the understanding that by living as we do we sacrifice the true genuine joys that life can offer. But we must never forget that the new and humane course we are pursuing will remain a beautiful dream right until each one of us is prepared to change the course of his or her own life."

Similar movements are emerging in many industrialised nations. In the United Kingdom, several groups are campagning under the slogan 'Live more simply, so that others may simply live'.

In Denmark, Professor Adler-Karlsson has called for a ceiling on incomes and declared that "Nobody should increase his affluence until everybody has essentials." Only time will tell whether all these are voices crying in the wilderness or prophets of a new society. But that issue will be decided by whether these ideas remain on the academic shelf or whether they take root in the hearts and minds of large numbers of people.

There is at least a chance that this is now beginning to happen in the industrialised world. As the distinguished American philosopher Robert Heilbronner has written "There is a startled awareness that the quality of life is worsening. Of all the changes in our background, awareness perhaps, none is so important as this.

For some time, observers have wondered why their contemporaries, who are three or five or ten times richer than their grand-parents, did not seem to be three or five or ten times happier or more content or more richly developed as human beings. This scepticism, formerly the preserve of a few philosophically minded critics, has now begun to enter the consciousness of large numbers of men and women."

Courtesy: *United Nations Environment Programme.*

Don't mind the rejection of my application by Indian varsities, daddy. I'll learn abroad.

New OPEC approach

Mariano Gurfinkel

The author (who is a member of the IMF Research Department) has shown that in sharp contrast to 1974 and 1975 when crude oil exports for two consecutive years fell, there is likely to be a rise of 12 per cent in the oil exports of the OPEC, thanks to the revival of the American and European markets and the decision of OPEC at Bali not to raise oil prices.

THE MINISTERIAL Conference of the Organization of Petroleum Exporting Countries (OPEC) held in Bali, Indonesia, May 27-28, considered two important issues: (1) the price level of the Saudi Arabian light (34° API) crude oil, used as marker for OPEC crude oils, and (2) the problem of price differentials among the numerous grades of crude oils of OPEC members. These questions were considered against the background of an improving world economy, and a consequent increase in consumption of oil now estimated for 1976 at four per cent above last year's level. This article reviews the Bali results and recent trends in world oil demand, production, and trade.

Algerian formula

In Bali, the ministers decided to leave the marker price level unchanged, for the time being, at $11.51 per barrel, and they informally agreed to adopt—provisionally and flexibly—the so-called Algerian formula for differentials. Although news reports from Bali stressed the temporary freeze of the marker crude, the more interesting and complex of the two issues considered was the new ad hoc net back system for calculating price differentials.

For over two years, the system of price differentials based on factors of quality and location has been particularly impaired, and the members of OPEC have been working to devise a more realistic and responsive approach. A final solution has not been reached but the adaptation of the Algerian formula now provisionally in use represents the application of a net back system based upon the product yields of various grades of crude oil.

Since the Bali meeting, there have been a number of price adjustments announced, estimated to affect nearly 10 million barrels per day or over a third of OPEC crude oil output. Among them have been a slight reduction in the price of the heavier crudes in the Persian Gulf and increases up to 35 cents per barrel in the price of the lighter African crudes. Venezuela, which produces a wide range of oils, increased some of its crude and products effective July 1, and lowered the price of fuel oils with low sulphur content. The net effect of all of the OPEC price adjustments is likely to be a slight increase in the average price.

The approach of the Algerian formula is to grade the various OPEC crudes in relation to the marker crude by determining a differential for quality and freight factors. With respect to quality, the differential reflects the yields and values of products in comparison with the marker Arabian light weighted for several major markets for OPEC oil. With respect to location, the differential compares transport costs of each crude with those for the Saudi marker in each applicable market or markets, using a formula reflecting both historical and spot tanker rates (two thirds average freight rate assessment and one third spot rates). Under the Algerian formula, crude prices may fluctuate within a price band of plus or minus five per cent of the differential from marker crude.

To illustrate how a net back formula functions, Table I campares Libyan light crude with Saudi light on the Rotterdam market. The figures are approximate, and show the differential yields of both crudes and their early June prices in US dollars per barrel. Deducting refinery and tanker costs, the net back to f.o.b. loading terminals is reached. The operation indicates that the Libyan crude has an advantage of slightly over $1.00 per barrel with respect to Saudi light in this market. The differential is averaged with those for other markets, and then used to adjust the f.o.b. price. If the resulting average differential is assumed to be

TABLE I

End Market Values for OPEC Net Back Pricing

(Comparing Saudi and Libyan light crude oils in the Rotterdam market)

	Cargo Price (US dollars/ barrel, f.o.b. Rotterdam)	Yields (per cent)		Proceeds (US dollars/barrel)	
		Saudi	Libyan	Saudi	Libyan
Total				12.45	13.00
Naphtha	14.95	6	10	.90	1.49
Premium gasoline	19.03	11	11	2.09	2.09
Regular gasoline	17.51	5	5	.88	.88
Kerosene	14.87	6	3	.89	.44
Gas oil	14.28	23	29	3.28	4.14
Fuel oil (low sulphur)	10.46	—	36	—	3.76
Fuel oil (high sulphur)	9.81	43	—	4.22	—
Other	—	—	—	.19	.20

Data: *Petroleum Intelligence Weekly*, June 21, 1976; *World Petroleum, Chemical, Coal*, June 2, 1976; and Fund staff estimates

80 cents the price of the Libyan crude oil may be raised by from $12.10 to somewhere between $12.27 to $12.35. The eight cents is the discretionary band of plus or minus five per cent.

It should be stressed that the recent adjustments are flexibly based on the new provisional formula, which serves to indicate the intended floor, and is, of course, more flexible upwards. Thus, Iraq's National Oil Co is reportedly offering Basrah crude at a higher price than the band would warrant, and some high quality Indonesian crude oils are now priced above the range.

World oil consumption declined in 1975 for the second consecutive year. The magnitude of the 1975 drop was substantially larger than in 1974. The rate of decrease amounted to approximately 1.5 per cent world-wide. It resulted from a drop of almost four per cent in the industrial countries, and an increase for the centrally planned economics and the developing countries estimated at about six per cent and three per cent, respectively.

decline in consumption

Among the factors that contributed to the worldwide decrease in oil consumption were the following: (1) the low level of economic activity in industrial countries; (2) a slight shift in the pattern of energy use in favour of coal end natural gas; (3) conservation policies in some major consuming countries; and (4) mild weather.

The rates of change in the demand for oil among the major consuming areas and countries are shown in Table II. Among the European countries the rate of change ranged from no decline in Spain to a drop of over 12 per cent in the United Kingdom. The US oil consumption, accounting for about 30 per cent of the world's total, declined by some 2.5 per cent.

Since the beginning of this year, demand for oil has strengthened considerably. During the first quarter of 1976, inland consumption has increased by 3.5 per cent in the United States and 4.7 per cent in Japan. In western Europe, the four leading consumers—France, the Federal Republic of Germany, Italy and the United Kingdom—used over five per cent more in the first two months of this year than they did in January-February 1975. The latest data for France indicate that during the first five months, its demand for oil products was up by nearly 10 per cent, compared with January-May 1975. With world economic recovery continuing, consumption for the year as a whole is expected to show a four per cent increcse.

The recent upturn in demand has resulted in an increase of some 2¼ million b/d in world crude oil production during the first quarter of 1976, or some 4.4 per cent compared with the same period last year. In 1975, oil output declined by some 2.7 million b/d, to an average of 53.2 million b/d a decrease of nearly five per cent. Production of natural gas liquids remained unchanged at an average level of 2.8 million b/d.

In the Western Hemisphere, output fell by 7.5 per cent, due to the decline of over 20 per cent in Venezuelan production and the less marked declines in the US, Canadian and Ecuadoran outputs. Only Mexico achieved a sharp increase of some 24 per cent.

Production dropped in the Middle East for the first time, the drop was seven per cent, and in the Asia-Pacific region it was about one per cent. On the other hand, output in western Europe and in the centrally planned economies continued to grow. The European increase of some 45 per cent was chiefly in Norway, and the 8.8 per cent increase for the centrally planned economies included Mainland China's big jump of 24 per cent in its still modest output.

TABLE II

Comparison of OPEC Net Back Values and Prices

(For Saudi and Libyan light crudes in the Rotterdam market)

(US dollars/barrel

	Saudi Light	Libyan Light
Total proceeds	12.45	13.00
Less refinery cost	.55	.55
Less tanker cost	.80	.30
Net back	11.10	12.15
Oil acquisition cost for operating companies	11.26	11.92
Third party sales price	11.51	12.10

Data : *Petroleum Intelligence Weekly*, June 21, 1976; *World Petroleum, Chemical, Coal*, June 2, 1976 and Fund staff estimates.

The oil output of members of OPEC amounts to over 50 per cent of the world's total, or OPEC output of 27 million b/d in 1975, a decline of nearly 12 per cent. Output of some members declined very sharply—Kuwait, Nigeria, Qatar, Saudi Arabia and Venezuela, for example, it was less pronounced for others, but it remained roughly unchanged for three, and it registered a steep increase in Iraq. As OPEC has no agreement for pro-rating production increases or cutbacks among its members, the output of individual countries depends mainly on the relative competitiveness of crude oils and on certain non-economic considerations. Both factors, particularly relative competitiveness, may undergo significant changes within a one-year period and the system of fixed differentials in use before the net back formula was insufficiently responsive. Lowered output is evident from the fact that unused OPEC productive capacity during 1975 averaged an estimated 11 million b/d or some 28 per cent of total capacity.

TABLE III

Estimated Petroleum Products Demand

(thousand barrels/day)

	1974	1975	% change 1974/75
Industrial areas	35,900	34,500	—3.9
United States	15,700	15,300	—2.5
Canada	1,620	1,620	—
Western Europe	13,100	12,400	—5.3
Australasia	690	680	—1.4
Japan	4,830	4,540	—6.0
Developing area	6,520	6,730	+3.2
Latin America	3,090	3,120	+1.0
Africa/Middle East	1,610	1,670	+3.7
Indian Sub-continent	600	620	+3.3
Other Asia	1,220	1,320	+8.2
Bunkers	2.430	2,210	—9.1
Centrally planned economies	9,640	10.280	+6.6
Total	54,540	53.780	—1.4

Data : *Petroleum Economist*, July 1976, and Fund staff estimates

During the first four months of 1976,

OPEC's output rose by over seven per cent, compared with the same period a year ago. For the entire year, the rate of increase is expected to average about 12 per cent. (Table IV).

In 1975, the volume of oil in world trade fell for the second consecutive year. Import requirements of crude oil and products in western Europe, North America, and Japan were about 10 per cent below the 1974 average. Imports of oil declined by less than one per cent in the United States, by four per cent in Japan, and by 16 per cent in western Europe. Among the European countries, imports declined least in Belgium, Luxembourg, and the Netherlands, and most in the United Kingdom.

During the first few months of 1976, oil trade has been increasing due principally to the sharp rise in imports by the United States and some European countries. As a result, the volume of OPEC exports has been growing and is expected to average some 12 per cent above the 1975 level.

TABLE IV

Crude Oil Production of OPEC Members

(thousand barrels/day)

	1975	Per cent change 1974/1975	Jan-Apr 1976	Per cent change Jan-Apr 1975/76
Total	26,842	—11.6	27,903	7.4
Saudi Arabia	7,077	—16.5	8,018	18.3
Iran	5,350	—11.1	5,303	—5.2
Venezuela	2,346	—26.2	2,091	—19.2
Iraq	2,216	17.1	1,851	—10.8
Kuwait	2,084	—18.2	1,865	—13.8
Nigeria	1,787	—20.7	2,032	14.2
Libyan A.R.	1,510	—0.7	1,821	83.6
Abu Dhabi	1,400	—0.7	1,549	48.5
Indonesia	1,313	—4.5	1,486	17.5
Algeria	960	—4.9	1,000	10.3
Qatar	439	—15.4	486	—8.8
Gabon	200	—1.0	211	4.4
Ecuador	160	—9.6	192	42.2

Data: *Middle East Economic Survey*, April 19, 1976 and *Petroleum Intelligence Weekly*, May 31, 1976.

Paths to international cooperation

Emile Van Lennep

This is the text of the speech delivered by Mr Emile Van Lennep, Secretary-General of the Organisation for Economic Cooperation and Development (OECD), to the University of Mainz on July 1, 1976. He has discussed the interrelated subjects of world economic interdependence, the management and security of the world economy and relations with developing countries.

IT IS self-evident that our concept of international economic relations must adapt to changing realities. Progress can under certain circumstances be achieved through crisis as witnessed over the past few years by the difficult challenges of inflation, recession, the oil crisis, as well as the developing countries' concept of an all-encompassing "New International Economic Order."

I would like to suggest that we should recognise that the world has changed and that there is a need for us, the industrialised countries, to evolve common views on a new, realistic imaginative concept of managing interdependence and the world economic system. This calls for closer consultation, concertation and cooperation among OECD countries in formulating and implementing their economic policies, but also for new dimensions in our relations with developing countries. The industrialised countries should also have a clear and coherent concept of the fundamental objectives they are seeking to achieve, clearly define the ways by which the necessary improvement in the world economic system can be brought about, and enunciate the responsibilities which they themselves will have to bear in the process.

When one wants to look ahead, it is sometimes instructive to look back a few years to see just how far things have changed. Only a few years ago we were still looking at the free world economy as split between the rich in the north and the poor in the south. We knew that what happened in the northern economies affected the fortunes of the south. But the connections between economic developments and decisions in the south and the fortunes of the north seemed tenuous.

The situation today is profoundly different, and a major test of statesmanship lies in the ability of governments— both in the north and in the south — to recognise this fact and shape their policies accordingly. The economic interdependence of the world has grown by leaps and bounds. We, in the industrialised world, are now very conscious of this when we see the effects that, say, decisions about the price of oil have had on our economies. The developing countries are even more conscious of it than before. They see the effects on their economies of the inflation that has developed in the industrialised countries in recent years (their awareness of this is one of the more interesting points to emerge from the dialogue between richer and poorer countries to date). And all of them have felt, acutely, the effects of recent sharp fluctuations in the business cycle of the industrialised world.

economic interdependence

I firmly believe that this increased economic interdependence is a beneficial force in the market-oriented world economy. It means greater opportunities for economic growth by richer and by poorer alike. This is because close connections through the mechanism of international trade and investment movements increase the scope for mutually profitable entrepreneurial initiative between the citizens of all open market economies. And it is thus that we can achieve an increasingly effective development, in the interests of all, of the world's latent mental and material assets.

But I also believe, and equally firmly, that this international interdependence has got to be managed carefully if it is to yield its best results, and not simply to transmit adverse developments throughout the world.

> We know, to our cost, that no economic force transmits itself so fast across frontiers as excess demand and inflation — unless it be the forces of recession that follow as the night does the day.
>
> And we also know, from recent experience, that our interdependent economies have become increasingly vulnerable on the supply side. Interruptions of supply, shortages and unfavourable climatic conditions, wherever they occur, can have a major impact on the economies of each nation.

This growing interdependence of the world economic system, and the increased national vulnerability that goes with it, cannot be turned back. But as I say, they have to be managed if they are not to become a source of dislocation or disruption to our respective national economies. New policies and mechanisms for ensuring necessary structural changes and orderly evolution of the world economy have become necessary, and every nation has come to recognise this.

Now someone has got to take the lead in managing these affairs, so that the benefits are maximised and shared fairly between developed and developing countries, and so that the possibility of negative effects is erased. The management, of course, will require closer consultation and cooperation between governments of both richer and poorer countries in the formulation and implementation of economic policies. But I want to underline the point that there are important fields in which it is incumbent upon the market-oriented industrialised economies to take the lead.

code of behaviour

It was therefore with considerable satisfaction that I witnessed, the governments of the industrialised world manifesting, in OECD, their recognition of their opportunities and their duties in this regard. What the twentyfour member governments did, when their Foreign and Economics ministers met in OECD, was to agree upon certain very basic principles and policies which will guide their behaviour in such a way as to promote the maximum degree of non-inflationary growth, employment and social progress not only among their own countries, but in the world at large. By renewing the OECD Trade Pledge they confirmed that element in their code of behaviour which outlaws, despite the present difficult circumstances, protectionist "beggar-my-neighbour" trade policies.

By adopting a Declaration on Guidelines for Multinational Enterprises, National Treatment, International Investment Incentives and Disincentives and agreeing to inter-governmental consultations on these matters, they took a new step to improve the foreign investment climate and to encourage the positive contributions of multinational enterprises to economic and social progress. They also tackled the broad question of how to ensure, within the OECD area and therefore in the world as a whole, more sustainable economic growth, free from the worst ravages of inflation, than they have been able to enjoy in recent years. Together, the ministers laid down a broad medium-term strategy which will guide their own individual policies for the management of their market economies over the next few years.

Basically, what the ministers agreed upon was that, after a brief post-recession recovery period (Germany, with the United States, is leading this) our market economies are quite unlikely to enjoy sustained growth unless inflation is progressively reduced and finally eradicated. In the very interest of enabling full employment eventually to be restored, first priority has to be given to the attack on inflation, especially in the countries where it is still particularly virulent. Without this, there can be no hope that reasonable kinds of behaviour will again be the rule in the private sector: for unless one can rely on appropriate price stability in the future, how can business have the confidence to make the costly investments required to underpin social progress, full employment and the flow of real resources to developing countries? Or how can labour relate wage bargaining to the progress of productivity rather than to future fears about the cost of living?

sustained growth

The corollary to this, as ministers agreed, is that even where, coming out of the recession, unemployed resources are important, our economies will be held to a growth path that is gradual and sustained. Fiscal and monetary policy, for example, will be designed not to achieve the fastest possible growth of employment in the shortest possible time: for, as experience shows, sharp booms are the surest path to new recessions and, in anything but the shortest horizon, aggravate the problems of joblessness far more than they alleviate them.

The essence of the strategy, then, is to restrain growth, in each of the next few years, to only a little more than the normal rate of expansion, absorbing unemployment more slowly but more surely than usual — and, of course, getting our growth rates back down to the "normal" path that is set by productivity and labour force increases when full employment conditions are once again approached.

I will not dwell now on the technical details of this approach, which have been worked out carefully at official level, nor on the statistical illustrations of the potential out-turn. I would just add, as a semi-technical footnote, that the governments attached a significant degree of importance to action on the supply side to ease possible future bottleneck problems of men, machines or materials (a point to which I shall return) and showed wide agreement as to the value — indeed, the essentiality — of obtaining adequate social consensus as to the aims of economic policy, an approach that some may call price and incomes policies and some may call concerted action.

political significance

But what I want, above all, to underline is the political significance of this action by OECD ministers.

First, it shows a significant growth in the realisation that an essential pre-condition for sustainable growth (as opposed to boom and bust) is the reestablishment of price stability and avoidance of new inflationary outbursts. Gone, I think, are the days when statesmen could, seriously maintain that the best way of getting rid of inflation was to expand demand at maximum speed and trust that rising productivity would solve all problems on the cost and price front.

Second, it shows the realisation by the ministers of 24 busy government, each of which is occupied by pressing day-to-day concerns, that economic policy cannot appropriately be considered against the time-horizon of the next few months or quarters, but that it has to be looked at for its effects over the medium term—say, four or five years from now. I regard this as a breakthrough in politico-economic thinking, and one which will render far more fruitful than before the on-going tasks of international consultation and cooperation.

Third, and this I would underline heavily, it constitutes a meaningful expression, at the highest level, of the will of OECD governments to conduct their economic affairs rationally, far-sightedly, and internationally, rather than on the self-defeating basis of parochial interests and in the context of the election cycle. Here is an example of our member governments exerting combined leadership in a field that is of vital concern not only for their own constituents, but for the world at large, the very poor as well as the very rich. I believe it to be a most encouraging augury for the future.

I would like now to turn to the vulnerability of the world economy on the supply side, and here I want to suggest that the problems of management require a very high degree of cooperation between the governments of all countries, with north and south both accepting responsibility for the good conduct of the world economy. There are three principal areas that require action. I will not dwell further in this instance on two of them: energy which is being dealt with within the OECD and CIEC and on which you heard from Dr. Ulf Lantzke, Executive Director of the International Energy Agency some months ago; and food which is being dealt with in various forums, including the World Food Council, FAO, the about-to-be-established International Fund for Agricultural Development and OECD. But I would like to say something about commodities, and in particular about industrial raw materials.

commodity fluctuations

In the past, commodities have been the subject of international concern and discussion mainly, if not exclusively, from the point of view of our countries' relations with the developing countries. This may be due partly to a long period—roughly from the early 50's to the early 70's—of relatively low prices and ample supplies. The experience of the last few years has been different; the fundamental changes which have come about in the economic and political situation have led to a reassessment of the impact of commodity problems, and in particular of the importance of commodities in the context of a better management of the world economy, in the interest, *inter alia*, of a smooth flow of supplies to consuming countries.

This is not to say that less attention should be given to the special problems of developing countries whose economies are heavily dependent on commodities, in particular as major sources of export earnings and of budgetary revenues. Rather it is to stress that there is a common interest of all economic partners, be they producers or consumers, exporters or importers, developed or developing countries, to improve the circumstances in which commodities are produced, consumed and traded, and to search for new approaches to their problems.

What are the major problems for which solutions need urgently to be found? I believe I can identify three specific areas in which work is now going on and needs to be accelerated.

price stability

The first is instability. Almost no one nowadays, after the gyrations of 1973-76, would contest the need to achieve greater stability in commodity markets and prices. Instability is no doubt inherent in commodity markets; in addition to cyclical fluctuations in demand, and climatic variations in supply of agricultural goods, there are time-lags in investment decisions and in building up production in mineral products. Some variability of prices is only to be expected and indeed healthy, as price changes send signals to producers or consumers to vary their activities in the never-ending search for equilibrium. In this connection no one in their sober senses would argue in favour of rigidly unchanging prices. But there is occasion for concern in the extent to which imbalances, even small, are magnified in building up disproportionately wide price fluctuations. Doubling, trebling or more of individual prices in a matter of months, as well as halving or quartering in similar periods, are surely phenomena which bear no simple relation to underlying economic factors, and can clearly operate against the interests of both producers and consumers.

The second major problem, and one with particular relevance to industrial raw materials, covers adequacy of investment in raw material production. High cost of exploration, new equipment and plant have acted together with wide price fluctuations to increase the economic risks of investment. At the same time, the actual or potential political risks of investment in developing countries has particularly discouraged adequate investment in those countries, even when they are economically more justified there than in developed areas.

The available information seems to confirm that, since the abrupt fall in prices, exploration expenditures have dropped, but also that the share of exploration expenditure for mineral non-fuel production in LDCs is now significantly less than the distribution of present production would suggest. These developments imply dangers for the proper functioning of the world economy. Experts agree that the needed increases in productive capacity is enormous, in particular in the raw materials sector, and might require huge capital in the next ten years. Even in the medium-term there are risks, given the synchronisation of the upturn in the developed economies, of being faced with bottlenecks and hence a new boom in commodity prices.

grave problems

The challenge is to seek solutions to these grave problems—and to find them urgently: even remedies for the longer run risks are liable themselves to involve such time lags before they become effective that they must be evolved and implemented as quickly as possible. In the search for solutions, the hallmark of the commodity field is the absence of panaceas, of "magic bullets" which solve everything overnight. It is thoughtful diagnosis and patient stitching together of sets of solutions tailored to the characteristics of each individual commodity which will win in the end.

That means that there are a number of possible measures to be considered. In the investment field, the US proposal for an International Resources Bank will, *inter alia*, be examined in the OECD and, with developing countries in the CIEC.

In the search for greater stability, techniques such as buffer stocks (for suitable commodities, to be sure) and production control, along with such institutional contributions as commodity agreements, or just increased consumer-producer dialogue, need to be assessed on a product by product basis. A resolution on an integrated programme for commodities adopted in Nairobi represents the first step in a broadly based approach to the problems involved.

Within such an approach, special attention must be given to developing countries, not only as producers but also as consumers. This is the third specific area. Insofar as stabilising action succeeds they would benefit from more stable prices, but there would remain two other price-related problems with implications for the developing countries.

varied interests

The first of these concerns commodity price levels. As major producers and exporters, the developing countries are very much concerned with this question, although their interests are far from uniform. As a group they are net exporters of industrial raw materials, but net importers of basic foodstuffs. Even in the case of industrial raw materials, production and exports are concentrated in a limited number of developing countries. Many of the most populous among them are net importers of both industrial raw materials and of foodstuffs. Thus a permanent increase in the relative price of basic foodstuffs or industrial raw materials would benefit some developing countries but would be detrimental to others—including the poorest among them. In most cases attempts to force up the price of commodities or to index them to industrial prices are likely to prove counter-productive because of product substitution and geographical diversification of sources of supply. Efforts to use the price mechanism to achieve desired income transfers have often proved tempting, and have sometimes been successful, but over the longer run have usually proved inefficient and self-defeating.

Second, the instability problem faces the developing countries in another and a wider context than prices alone; they need also more stability in export earnings. Being a function of both price and volume these can fluctuate unacceptably even with relatively stable prices; and other action to stabilise export earnings, either for certain categories of developing countries such as the poorest or for exports of specific commodities, should seriously be considered as an important contribution to steady development.

I want also to underline that, from whichever angle they are looked at, be it that of producers or of consumers, commodity problems can only be solved in a satisfactory manner for the functioning of the world economy by cooperation between developed and developing countries. The resolution adopted at Nairobi, in particular to the extent that it represented the first step to a broadly based approach to commodities, apart from the contentious question of the common fund, together with the continuation of the north-south dialogue in the CIEC, should contribute to strengthening that cooperation.

It is essential that OECD countries reinforce their own efforts and cohesion in elaborating such a comprehensive approach which would reconcile to the greatest possible extent the manifold divergencies of interests involved.

development cooperation

Let me now turn to an important aspect of the improvement of the world economy - relations with developing countries and development cooperation. A balanced approach to improved international economic relations between industrialised and developing countries requires positive measures to take account of the special problems of the developing countries. Interdependence in the effective working of the world economy does not automatically ensure a more equitable distribution of income. Moreover, with the substantial differences in levels of productivity, access to capital and technology, economic and financial strength and bargaining power that exist, much needs to be done to create more equal opportunities for the developing nations, and for all their peoples.

It is interesting, in this respect, to note the point of view of the Third World Forum, a group of eminent personalities from developing countries, and I quote:

> "We wish to make it clear that the Third World is not demanding a massive redistribution of wealth of the rich nations. Nor is it seeking equality of incomes. It is asking for equality of opportunity."

Indeed development cooperation policies should not aim at a systematic redistribution of wealth amongst nations, but it should aim at meeting basic needs of people and promoting balanced and self-sustained growth. Since we have worked and we want to work through the developing countries' governments in our policies for development cooperation, we have to realise that the distributive policies of the recipient countries are a critical element in our development cooperation policies and in their credibility, and in the political support of our policies in this field. We also have to realise that the developing countries are not a homogenous group. They are increasingly a politically coherent group as they come into the international discussions, and there are certainly reasons to welcome this. But at the same time, we see a growing diversity of economic situations amongst these countries and I think that it is clear that in our policies for development cooperation we should take account of the consequent differences in their interests and needs.

severe handicaps

There are some countries which are severely handicapped by an accumulation of economic, social and natural disadvantages and constraints, which have not been able to profit from the expanding world economy and access to markets, finance and technology, and it is in these countries that the majority of the poorest people of the world live and where prospects for improvement are uncertain. There are, on the other hand, developing countries who have made impressive progress; who have been able to use opportunities for trade and have attracted foreign investment, technology and finance. Still, many of these countries continue to face serious problems of balance-of-payments adjustment, debt management and external financing in addition to their structural problems of regional and social imbalance, large-scale unemployment and continuing deficiencies in basic infrastructure and technological capabilities.

Unfortunately, the lower the absolute levels of income and development, the lower the rate of progress. A few figures will serve to illustrate the foregoing. During the last ten years, or more precisely from 1965-73—before the world recession of 1974-75—the poorest countries had growth rates of per capita income of only two per cent. At this rate the doubling time of income is 35 years. The more advanced non-oil producing developing countries achieved more than twice that rate at about five per cent (with a doubling period of about 15 years). This latter was considerably above the OECD per capita income growth rate of three per cent.

growing differences

These growing differences among developing countries call for increasing concentration of concessional financial development assistance on the poorer developing countries in order to help them build viable economies and increase the productivity and welfare of their people. We should also seek ways to help these countries in areas other than financial aid. As an example, Norway has recently granted fully duty-free entry for all types of goods for the least-developed countries.

Action to improve the situation of the stronger developing countries calls primarily for policy measures which will enhance their opportunities in fields of international trade, finance, investment and technology. These measures need not necessarily imply special advantages but rather the removal of handicaps and obstacles.

The on-going multilateral trade negotiations provide a unique opportunity to review tariff structures, other import impediments and international trade rules with a view to enhancing the trading opportunities of developing countries. However, this is not enough and we should look further to eliminating obstacles to developing countries taking part in international trade as equal partners.

Important negotiations are also currently taking place to improve the access of developing countries, especially the more advanced among them, to various types of long-term development financing facilities. I refer to the work on access to capital markets and on arrangements to increase the lending capacity of the World Bank and the regional financing institutions.

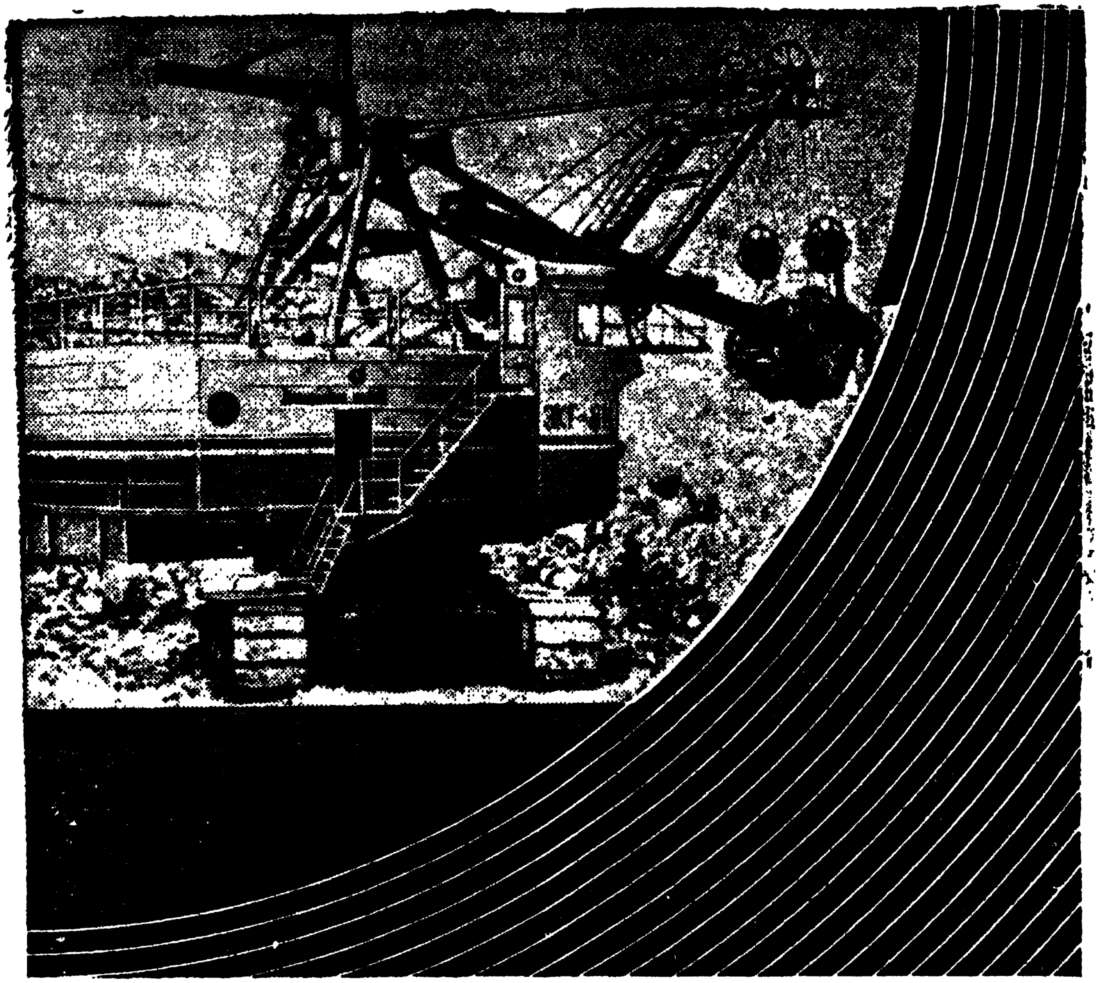
Securing full and effective access to scientific and technological knowledge is another important element in a coherent policy of improving economic opportunity for the developing countries.

We have, of course, been grappling with these issues for a long time and they are the subject of intensive work and negotiation in a variety of bodies. It is my impression, however, that unduly generalised approaches to some issues such as aid, commodity policies, trade preferences and access to science and technology which tended to treat developing countries as a homogeneous group, implying equal or parallel action for all of them, may have made it more difficult for the industrialised countries to respond positively. The need for balanced differentiation, adapting action to real needs and keeping some balance between genuine sacrifices for the poorest and arrangements emphasising mutuality of interests for the somewhat stronger, is also important to enhance political support by the public.

diverse needs

A great deal more analysis is required to assess the full implications for policies of the growing diversity of situations and needs among developing countries. Member governments have, at the recent OECD Ministerial Council, asked the OECD to work out coherent approaches taking these considerations into account. Our objective must be to focus our policies on the needs of the different groups of developing countries, not in order to aim at cheaper solutions but to reach better results.

The economic, social and political facts of present-day life in our planet, all firmly indicate that we are inexorably linked, for better or for worse. Let us bear this constantly in mind as we move towards better management of global interdependence and the world economy, and a new relationship with developing countries.



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Restructuring of Public Sector Banks

THE GOVERNMENT has announced the setting up of a commission to examine the restructuring of public sector banks. The commission will be headed by Mr Manubhai Shah, former central minister. It will have four other members. The commission is to submit its report within a year.

Terms of Reference

The terms of reference of the commission are to examine the existing organisational structure of the twenty-two public sector banks (viz. State Bank of India, its seven subsidiaries and the fourteen nationalised banks) keeping in view their existing and prospective geographical and functional coverage, the present stages of management development obtaining in them, and also the need for preserving and promoting factors motivating the employees and recommend such changes in the structure of the twenty two public sector banks, including their regrouping and reorganisation into optimum number of units and other measures as may be necessary to promote operational efficiency to secure: (a) a deeper and more direct involvement of public sector banks in the process of rural development having special regard to the implementation of the 20-Point Economic Programme; (b) an accelerated progress towards a more balanced regional development, both in terms of availability of banking services and deployment of funds; and (c) closer links between the public sector banks and other credit and development agencies at different levels to facilitate joint and coordinated action in formulating and implementing banking plans within the framework of national planning. The members of the commission are Mr N.C. Sen Gupta, Secretary, Department of Banking; Mr J.C. Luther, Executive Director, Reserve Bank of India; Mr J.N. Saxena, retired Chief General Manager, State Bank of India and formerly Chairman, Bank of India and Prof A.K. Datta, Economist, at present working as Vice-Chancellor, North Bengal University, Siliguri. Mr M.K. Venkatachalam, Joint Secretary in the Department of Banking will be the Secretary.

Formulations of Pesticides

Union minister of Agriculture and Irrigation, Mr Jagjivan Ram urged the experts of the pesticides industry to critically examine the cost structure for formulation to bring down the price.

Inaugurating the first national seminar on problems and prospects of the pesticides formulation industry organised by the National Alliance of Young Entrepreneurs (NAYE) recently he stated that in the wake of rapid development, the industry had introduced too many pesticides and formulations. Though the number of formulations had been reduced to a certain extent there was sufficient room for reducing them further. He called upon experts present to collect and consolidate authentic figures of the number of state-wise units producing pesticides and their total production. Such information would help the ministry in deciding whether additional capacities should be setup and in what areas they were required.

He indicated that over the past decade the number of registered formulators had risen to 800 from just a 100. Cautioning the industry against false advertisements to push up sales he remarked that losses of agricultural commodities in the field, while threshing and storage were sometimes inflated to increase sales. He also appealed to the industry to maintain quality control and to remain wary of the hazards associated with the increasing use of pesticides. In the context of the five million hectares of additional land being brought under irrigation under the 20-Point Programme and the cultivation of high yielding varieties, the minister emphasised the necessity of using chemicals for destroying insects and pests without affecting the quality of crops.

Indo-Pak Amity

The national flags of India and Pakistan went up their respective embassies in Islamabad and New Delhi on Saturday July 24, 1976 following the presentation of credentials by the two ambassadors. The Pakistan ambassador, Syed Fida Hassan, presented his credentials at Rashtrapati Bhawan. On the occasion, President, Fakhruddin Ali Ahmed, made a strong plea for Indo-Pak amity. "It is only by entering into a cooperative relationship that our two peoples will be able to bend all their energy for their upliftment and thus play their due role in the international sphere" he said. The Indian ambassador to Pakistan, Mr K. S. Bajpai presented his credentials to the President, Mr Fazal Elahi, at a brief ceremony in Islamabad on Saturday July 24, 1976. Welcoming Mr Bajpai, Mr Elahi assured him of his full cooperation in the task of promoting friendship between India and Pakistan. He added that a new era of cooperation had already started.

Expansion of Bombay High

The Oil and Natural Gas Commission (ONGC) is likely to enter into a long-term consultancy agreement, with a prominent government-owned firm of French oil cosultants for large-scale expansion of production of the Bombay High oilfields. A five-member team of the French company had arrived in Delhi recently for discussions with the ministry of Petroleum and the ONGC. They met the Petroleum minister, Mr K.D. Malaviya, and had talks with him. The team also had detailed discussions with the ONGC chairman and other members. The company is understood to have offered package consultancy on production and development problems in Bombay High. During the discussions, which were initiated during Mr Malaviya's recent visit to Paris, the minister ruled out crude-sharing as it was against India's policies.

Leipzig Autumn Fair

During the Leipzig Autumn Fair to be held from September 5 to 12, exhibitors from 12 countries will be showing machinery for all types of plastics and elastomers working and processing. These will include injection moulding, extrusion, foaming, welding, blow forming, vacuum forming, calendering and related processes. The largest exhibition will be that of

Trusioma, the GDR combine that makes plastics and elastomers processing machinery, in hall 4 in the fair ground. The exporter for this equipment is Invest-Export who has sold Trusioma machines to almost 50 countries.

Other equipment to be displayed by Trusioma includes extrusion machinery from Plastmaschinenwerk Schwerin and Erste Maschinenfabrik, Karl-Marx-Stadt. From the latter comes a hot cut-off dry pelletizing extruder with a newly developed high-performance cooler. The twin-screw extruder that goes with it has been shown at previous fairs both as an individual unit and in complete lines, and has been awarded a Leipzig Fair Gold Medal.

Direct Taxes Collection

Direct taxes collection increased by 27 per cent in the last financial year, Mr S.R. Mehta, chairman, Central Board of Direct Taxes stated recently. The collections during 1975-76 rose to Rs 2,001 crores from Rs 1,577 crores in 1974-75. As many as 4.38 assessments were completed during the year compared to 4.19 million in the previous year. He added that tax dodgers would be tracked down relentlessly while honest tax-payers would receive courteous treatment and every facility to comply with the tax laws.

More than 2,080 persons had been detained under the provisions of Conservation of Foreign Exchange and Prevention of Smuggling Activities Act. A special unit had also been set up for dealing with their cases. Mr Mehta said the voluntary disclosure scheme had helped to un-earth a very substantial amount of hidden wealth and to create an atmosphere of faith and confidence between the government and the tax-payers. Mr Mehta hoped that in view of the substantial reduction in the rates of income and wealth tax, people would declare their income and wealth correctly.

The Corporate Sector

Some salient features of the overall performance of 1,650 selected medium and large public limited companies (each with a paid-up capital of Rs 5 lakhs or above) during the year 1974-75, are revealed by a study prepared by the Division of Company Finances of the Department of Statistics (RBI). The study shows a marked upward thrust in growth rates of sales, value of production and profits, higher rate of fixed assets formation accompanied by a steep growth in inventories resulting in a substantially larger capital formation, greater dependence on external sources of funds to finance assets formation, considerable increase in bank borrowings, appreciable fall in the percentage of debt to equity, a small decline in dividends distributed despite notable increase in distributable profits and steep rise in profits ploughed back into business.

The value of production in 1974-75 was Rs 12,304 crores while sales (net of rebates and discounts and excise duty and cess) amounted to Rs 11,833 crores. Since the rate of growth in value of production (28.9 per cent against 11.2 per cent) was higher than in sales (26.5 per cent against 8.8 per cent) stocks of finished goods and work-in-progress increased considerable by Rs 471 crores in 1974-75 as compared with the rise of Rs 191 crores in 1973-74.

With a higher non-operating surplus of Rs 44 crores (against Rs 22 crores), profits before tax crossed the Rs 1,000 crore mark in 1974-75, recording a phenomenal increase of 36.8 per cent over 1973-74, which itself had witnessed 23.7 per cent growth in profits before tax. Tax provision was higher by 38.7 per cent and profits after tax by 35.1 per cent. Despite the larger after tax profits (Rs 521 crores), dividends distributed showed a small decline and profits ploughed back into business increased sharply by 61.2 per cent (from Rs 229 crores to Rs 368 crores), compared with 51.4 per cent. Gross profits as percentage of (i) sales and (ii) total net assets and profits after tax as percentage of net worth stood at higher levels in 1974-75 than in 1973-74. Both ratios, viz, dividends to net worth and ordinary dividends to ordinary paid-up capital suffered declines.

Water Supply and Sewerage Schemes

The Central Public Health and Environmental Engineering Organisation has given technical approval to nine schemes under the National Water Supply and Sanitation Programme. Out of these schemes, three each are located in Haryana and Punjab and one each in Goa, Orissa and Assam. These schemes are estimated to cost about Rs 3.67 crores. In Haryana, Focal Water Supply Scheme in Sonipat district will cost about Rs 25.2 lakhs; Maheru group of 6 villages water supply scheme in Bhiwani district Rs 19.9 lakhs and Asadpur Kehra, Kota Kulana etc. villages water supply scheme in Rohtak district will be completed at an estimated cost of Rs 15.5 lakhs. Three schemes in Punjab include Bhanguri and Bhawlada Water Supply Scheme in Gurdaspur district; Bakhriwala, Akbarpur Khudal etc. villages water supply scheme in Bhatinda district and Mehraj Water Supply Scheme in district Bhatinda are estimated to cost about Rs 42.5 lakhs, Rs 13.8 lakhs and Rs 14 7 lakhs respectively. The remaining three schemes, Vasco Sewerage Scheme Goa; Jharsuguda Town Water Supply Scheme in Sambalpur district of Orissa and Hailakandi Town Water Supply Scheme in Cachar district of Assam will be completed at an estimated cost of Rs 1.27 crores, Rs 54.5 lakhs and Rs 54.0 lakhs respectively.

Committee on Indirect Taxes

In pursuance of the announcement made by the Finance minister in his budget speech on March 15, 1976, the government has decided to appoint a 7-member committee to review the existing structure of the indirect taxes in the country. Mr L.K. Jha, Governor, Jammu & Kashmir is the Chairman. Other members of the committee are: Mr M.V. Arunachalam, President, Federation of Indian Chambers of Commerce and Industry: Mr R.J. Chellaiah, Director, National Institute of Public Finance and Policy; Mr J. Sen Gupta, President, Bengal Chambers of Commerce; Mr G.B. Newalkar, Managing Director, Maharashtra Mineral Corporation Limited; Dr Man Mohan Singh, Chief Economic Adviser to the government of India and Mr K. Narasimhan, Member (Tariff), Central Board of Excise and Customs. The committee will be assisted by a secretary and the necessary complement of staff.

The terms of reference of the committee include review of the existing structure of indirect taxes, examination of the role of indirect taxation in promoting economic use of scarce resources, structure and levels of excise duties, the impact of these duties on prices and costs, the cumulative effect of such duties, their incidence on various expenditure groups, the scope for widening the tax base and increasing the elasticity of the system.

Value Added Tax

The committee will also examine the feasibility of adopting some form of value-added tax in the field of indirect taxation where appropriate and if found feasible to suggest the appropriate stage to which it should be extended having regard to Indian conditions, i.e. whether the stage of coverage should be manufacturers, wholesalers or retailers.

The precise terms of reference of the committee are:

(i) To review the existing structure of indirect taxes—central, state and local—in all its aspects;

(ii) To examine the role of indirect taxation in promoting economic use of scarce resources;

(iii) To examine the structure and levels of excise duties, the impact of these duties on prices and costs, and the cumulative effect of such duties, their incidence on various expenditure groups, the scope for widening the tax base and increasing the elasticity of the system;

(iv) To examine the feasibility of adopting some form of Value Added Tax in the field of indirect taxation where appropriate and, if found feasible, to suggest the appropriate stage to which it should be extended having regard to Indian conditions, i.e. whether the stage of coverage should be manufacturers, wholesalers or retailers;

(v) To examine whether and how far it would be advisable to assist any particular industry or particular sectors of an industry by grant of concessions in indirect taxes; in doing so, the committee will doubtless take into account all the normal canons of taxation, and the balance of administrative convenience. In those cases where these devices are found to be advisable, to suggest norms for the same;

(vi) To examine the structure and levels of import duties from the point of view of import trade control, protection to indigenous industry and pricing of indigenous products and suggest changes, if necessary;

(vii) To advise the government on the steps to be taken to implement the recommendations made, including changes in the administrative and organisational set up;

(viii) To suggest changes, if any, required, in the constitution and in the related taxation statutes, for the implementation of the changes suggested in the tax structure and having regard to the revenue needs of both the centre and the states;

(ix) To make any other recommendations germane to the enquiry.

Fresh Look

The last comprehensive enquiry into the system of taxation in the country was conducted by the Taxation Enquiry Commission (1953-54) under the chairmanship of Dr John Mathai. Since then a number of committees have studied specific aspects of taxation; but no comprehensive enquiry into the system as a whole has been made. It is considered by the government that the time is opportune to have an integrated and fresh look at the entire indirect tax system—central, state or local. The committee can suggest changes, if any, in the constitution and in the related taxation statutes. The committee will submit its report within one year.

Expenditure on R & D

About 80 per cent of the total expenditure on the research and development activities in the country is incurred by the major scientific departments in the central and state sectors. The departments are: The Indian Council of Agricultural Research, The Council of Scientific and Industrial Research, The Indian Council of Medical Research etc. As a result of a nation-wide survey conducted by the National Committee on Science and Technology (NCST), the total expenditure on R & D efforts in different areas of science and technology in India during 1973-74 was about Rs 246 crores. About 91 per cent of this was spent by the central and state governments and the balance of nine per cent by the private sector. The total expenditure on R & D accounts for nearly 0.5 per cent of the nation's Gross National Product (GNP). About 55 per cent of the expenditure was incurred on agricultural research in the state sector.

About Rs 19.32 crores was spent by 191 companies registered with the Department of Science and Technology as on February 1, 1975. The total S & T personnel on April 1, 1974 is estimated to be around 1.5 million. Of these, about 95,000 were employed in R & D

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establishments and 30 per cent of them possess degree in engineering, medicines or post-graduate degrees in natural science or agriculture. Of the science and technology personnel employed in the main R & D establishments of the central sector, 78 per cent were in the pay scales below Rs 650 to Rs 1200. Of the S & T personnel employed in the private sector 40 per cent were getting Rs 800 per month or more. The R & D efforts are being stepped up during 1976-77. The outlay on science and technology is Rs 91.28 crores for the department of Science & Technology; Atomic Energy, Space etc. Rs 40.67 crores for other central ministries including Steel and Mines, Energy, Irrigation etc. Rs 26.35 crores for ministries of Petroleum, Chemical, Works & Housing etc.

Assistance from UK

Instrumentation Limited, a public sector enterprise, has embarked on its modernization scheme by signing a technical assistance and know-how agreement with a British concern. The payment to be made to George Kent Limited of England for a "total package" is £330,000 over the next five or six years. The agreement is for ten years and renewable for another ten years, according to Brigadier D. Swaroop, Managing Director of the Instrumentation Limited.

With the modernization now to be introduced as a result of the technical collaboration with George Kent Limited, a part of the Brown-Boveri group, Brigadier Swaroop stated that the company could be "in a much better position to compete in the world market with other reputed firms for turnkey instrumentation jobs in any industry". The agreement permits export of instrumentation to any country and also for continued availability of know-how pertaining to modifications and improvements for the contracted products.

French Bank Rate

The French Bank Rate was raised recently from 8 to 9.5 per cent. This announcement was made by the French Central Bank.

Transfer of Technology

The prime minister opened a four-day seminar and demonstration-oriented exhibition on transfer of technology to rural India in Delhi on July 27. About 120 experts had worked on various recommendations of the 15 working groups constituted to prepare the basic material for the seminar. The experts included vice-chancellors and economists. Fifty papers, covering various aspects of the transfer of technology came up for discussion. The demonstration-oriented exhibition was the first of its kind in the country. Among other things the demonstration revealed how storage of grain could be scientifically done at the village level.

Indo-Soviet Shipping

Freight rates for 10 major items which move on the Indo-Soviet shipping route and occupy large space will be restructured. An agreement to this effect has been reached by the shipping lines of the two countries operating on the Indo-Soviet shipping service at the recent meeting of the commercial level delegations. The freight rates will be restructured on the basis of weight-measurement of these items instead of weight-rates only. At the talks the number of sailings were decided upon. On the India-USSR route there will be 84 sailings and on the reverse route there will be 60 sailings, with each side ensuring full loading of ships and regulating sailings to Black Sea ports.

On the question of general freight increase, both sides noted that operating costs have gone up by about 13.5 per cent. Sinse the last hike effected in 1974. Both sides considered the possibility of neutralising the increase in costs to the extent of 12.5 per cent but deffered the move until a further reveiw of various costing aspects in October-November. However, both sides opted for a temporary increase of five per cent till December.

Export of Shrimps to USA

The USA, a major buyer of Indian Shrimp, has decided not to impose any restrictions or increase the tariff on imports of shrimp to that country. This decision has been taken by the American President on the recommendations of the US International Trade Commission which investigated into a petition filed by the domestic shrimp industry of the US. The petition, among other things, had sought the imposition of tariff and quota restriction on the import of shrimp into the US. The US government's decision had been communicated to the Marine Products Export Development Authority in India.

EEC Tobacco Quota

Under an amendment to the GSP regulation covering unmanufactured flue cured Virginia tobacco, the tariff quota of 36,000 tons is being extended from August 1 to include tobaccos valued at 280 units of account or more per 100 kg. The preferential rate of duty for these tobaccos will be seven per cent which is that envisaged under the 1977 GSP regulation against an effective rate of some 5.5 per cent for the cheaper tobaccos. The amendment paves the way for next year's regulation which is expected to provide for a tariff quota of 60,000 tons and covers both and sun cured varieties of Virginia tobacco.

The Calcutta Electric Supply Corporation Limited
(Incorporated in England)

NOTICE

Notice is hereby given that the Board of Directors of this Company at a meeting held on 15th July, 1976, has declared payment of an Interim Dividend on the Company's Ordinary Stock for the year ended 31st March, 1976, at the rate of 6% (Gross). Payment will be made on 6th September, 1976, after deduction of appropriate Indian Income Tax to those Stockholders whose names are registered in the Company's Stock Register on 9th August, 1976

Applications for transfers received in this office upto 9th August, 1976, will, if otherwise satisfactory, be registered at that date for the purpose of participation in the above Dividend. The registration of Transfers of Ordinary Stock in the Calcutta Register will remain suspended and the Register of Ordinary Stockholders in Calcutta will remain closed during the period from 10th to 16th August, 1976, both days inclusive.

By Order of the Board
S. K. NIYOGI
Secretary

Victoria House,
Calcutta-700 001.
15th July, 1976

COMPANY AFFAIRS

English Electric

THE DIRECTORS of English Electric Company of India have recommended a dividend of Rs 2.40 per share for the year-ended March 31, 1976. It will be paid on or after September 20, 1976. The company's total income recorded a modest rise to Rs 13.59 crores from Rs 12.97 crores in 1974-75 while the profit before tax was a shade higher at Rs 2.82 crores as against Rs 2.65 crores in the previous year. After providing Rs 1.75 crores for taxation and Rs 54.00 lakhs for payment of dividends, the balance of Rs 52.86 lakhs was transferred to the general reserve. The annual general meeting of the company will be held on Semptember 2.

Wellman Incandescent

Wellman Incandescent India Ltd has reported substantial improvements in its working results during the year ended March 31, 1976. Sales went up to Rs 2.51 crores from Rs 2.02 crores in 1974-75 while gross profit, after providing for depreciation, increased from Rs 20.41 lakhs to Rs 22.00 lakhs. After provisions and adjustments a sum of Rs 6.24 lakhs was transferred to the general reserve. The directors have proposed a dividend of Rs 1.20 per equity share and it will absorb Rs 3.00 lakhs.

The company had orders on hand at the end of May 1976 at Rs 2.92 crores. The expansion programme is underway and the company hopes to achieve the licensed capacity progressively. During the year Wellman Engineering Corporation Ltd, UK, sold 25,720 equity shares of the company to Indian residents, thereby reducing the foreign shareholding to less than 40 per cent.

Nirlon Synthetic

Nirlon Synthetic Fibres and Chemicals' plans for setting up depolymerisation plant and for installing balancing equipment with a view to broad-base its production are making satisfactory progress. The installing of depolymerisation plant will involve a capital outlay of Rs 1.92 crores which will enable the company to recover caprolactum from nylon yarn waste, which otherwise would have been sold at throw away prices. This plant will therefore not only enable the company to reduce the cost of caprolactum consumption but will also help it to increase its production as a result of additional availability of caprolactum which is its raw material.

The company also proposes to set up a conveyor belting plant at Roha, a backward area in Maharashtra state. The plant will have an installed capacity for manufacturing 1200 tonnes of conveyor belts and 1.2 million fan belts and V belts per year. The plant is expected to go into production during 1978. The total capital expenditure involved in this project will be around six crores of rupees.

MICO

Motor Industries Company Ltd has reported higher sales at Rs 51.21 crores during the year ended December 31, 1975 as against Rs 42.85 crores in 1974. While the profit, after providing for depreciation, too improved to Rs 8.52 crores from Rs 7.78 crores in the preceding year. The directors have recommended a final dividend of Rs 8 on fully paid shares which with the interim dividend makes a total of 14 per cent for 1975. Pro-rata dividend will be paid on partly-paid shares. The proposed dividend will absorb Rs 1.17 crores. Exports have again recorded a significant increase of Rs 8.76 crores during the current year from Rs 7.33 crores in the previous year.

Syndicate Bank

Syndicate Bank has made spectacular progress during the seven years after nationalisation from July 19, 1969 to June 1976. Deposits increased by more than four times, from Rs 126.86 crores to Rs 553.59 crores. The bank's deposit accounts increased from 1.3 million to 4.9 million and borrowing accounts from 262,000 to 800,000. Eighty-eight deposit accounts had balances of less than Rs 1,500 and more than 56 per cent of borrowing accounts were for amounts less than Rs 1,000

The number of branches increased from 306 to 800 out of which more than 65 per cent are in rural and semi-urban areas. In July 1969 Syndicate Bank was the only bank operating in 121 centres and as on today it is the only bank operating in 264 centres. Apart from fullfledged branches, the bank is also serving the people through its extension counters, evening counters, spot payment counters and pensioners' counters.

Advances rose by more than four times from Rs 90.36 crores to Rs 431.84 crores. The bank in an attempt to fulfil the social objectives, placed increased emphasis on priority sector advances. The advances in these sectors increased from Rs 28.3 crores to Rs 197.15 crores, more than a seven-fold increase. The priority sectors cover agriculture, small scale industries, transport operators, retail trade, assistance to students, self-employed and professionals and small business. The number of accounts in these sectors went up from about 75,000 and to over 176,000.

During the period after nationalisation, Syndicate Bank was one of the first banks to sponsor regional rural banks. The first such bank was opened in Moradabad in Uttar Pradesh and the second one in Pataudi in Haryana. Both the banks are doing well.

Karur Vysya Bank

Karur Vysya Bank Ltd, has reported all-round improvement in its performance during the year ended December 31, 1975. Deposits during 1975 touched the record figure of Rs 29.04 crores, registering an increase of 22.8 per cent which in fact was well above the average deposit growth of 16 per cent in the banking system as a whole. Advances, including bills purchased and discounted, too were appreciably higher at Rs 17.26 crores as against Rs 13.16 crores in 1974.

Gross income of the bank amounted to Rs 3.60 crores as compared to Rs 2.34 crores in the earlier year. The bank was able to earn a record profit of Rs 59.12 lakhs which after providing Rs 20.28 lakhs for income-tax and surtax, Rs 17.50 lakhs for seven per cent interest (levy) tax and Rs 7.20 lakhs for ex-gratia (Bonus), resulted in a net profit of Rs 14.14 lakhs. Out of this, a sum of Rs 5.50 lakhs was transferred to general reserve, Rs 5.00 lakhs to bad debts reserve, Rs 0.24 lakh to development reserve and 0.40 lakh to investment reserve. After other adjustments, the surplus available amounted to Rs 3.09 lakhs. Out of this, a sum of Rs 15,000 was set apart for charity fund, Rs 2.40 lakhs for payment of dividend at the rate of 12 per cent and Rs 20,000 towards diamond jubilee dividend of one per cent. The surplus, after these appropriations, amounted to Rs 34,357.

During the year the bank opened 19 branches and an extension counter at A.M. Jain College, Meenambakkam, Madras, including three branches in metropolitan centres. The bank is taking effective steps to open further branches in 1976.

Gujarat Export Corporation

Gujarat Export Corporation has completed ten years of its operation, and the board of directors, besides recommending one bonus share for every two shares held have declared a dividend of 15 per cent for the year ended March 31, 1976

During 1975-76 the corporation participated in international exhibitions such as Indian Trade Exhibition at Seoul, exclusive Indian Exhibition 1975 at Dubai and Zambia Trade Fair, 1975-76 The corporation exported during 1975-76 about 52 products, comprising mainly such items as, engineering goods, handicrafts, processed fruits and foods, plastic goods, rubber goods, colours and chemicals, pharmaceuticals etc, to as many as 35 countries around the globe. The corporation earned during the year foreign exchange to the tune of Rs 319 lakhs as against Rs 214 lakhs in 1974-75.

IDBI

The assistance sanctioned and disbursed by the Industrial Development Bank of India touched a new high during 1975-76 (July-June). The assistance sanctioned amounted to Rs 470.1 crores, recording an increase of 38 per cent over the previous year's figure of Rs 340.4 crores.

The number of applications sanctioned at 9925 registered an increase of 41 per cent over the preceding year's figure of 7031. The assistance utilised in 1975-76 was also higher at Rs 291.5 crores, as against Rs 211.7 crores in 1974-75 — an increase of 38 per cent.

Direct industrial assistance sanctioned rose from Rs 78.3 crores in respect of 66 projects during 1974-75 to Rs 116.4 crores covering 108 projects in 1975-76 — an increase of about 49 per cent in the quantum of sanction and of 64 per cent in the number of projects assisted. Of 108 projects, 58 were located or will be located in the specified backward districts; concessional assistance sanctioned to such projects was Rs 55.8 crores. Around 60 per cent of the direct assistance was in respect of 56 projects in the public, joint or cooperative sectors. Industry-wise, about 45 per cent of direct assistance was claimed by 39 projects belonging to five top priority industries viz., fertilisers, cement, paper, sugar and textiles. The balance sanctions were in respect of other core sector industries such as basic and miscellaneous chemicals, iron and steel, and industrial and electrical machinery.

The total effective sanctions since the inception of IDBI now amount to Rs 1739.3 crores (excluding guarantees of Rs 31.4 crores), the cumulative utilisations being Rs 1229.6 crores.

News and Notes

IHI (Ishikawajima-Harima Heavy Industries Co Ltd), Japan, was recently awarded an order by the ministry of Electricity and Water, government of Kuwait, for three 6,000,000 imperial gallons per day capacity sea water desalination plants. The contract price of these plants totals about 17,000 million yen, including the reserve supplies.

The three plants, to be constructed at Doha, Kuwait, will desalinate sea water by utilizing the steam provided by three 150,000 kw thermal power stations to be constructed in juxtaposition with the plants and will supply the urban district with service water. IHI will undertake all the construction works of the desalination plants on a turn key basis. Date of delivery is fixed for within 30 months from the signing of the official contract. With this new order, the total number of desalination plants ordered from IHI by Middle East countries comes to 16.

The **Indian Council of the Institution of Production Engineers (UK)** has selected Mr I.K. Gupta, chairman and managing director of Indian Telephone Industries, for the award of Sir Walter Puckey prize for his outstanding contribution in production engineering in India for the year 1975.

The **Government Electric Factory (GEF)**, an undertaking of the Karnataka government, will be taken over by a newly-formed public limited company known as 'Karnataka Vidyut Karkhane Limited' from August 1. The government had decided to convert the GEF into a public limited company with cent per cent equity held by the state to allow its expansion and diversification.

New Issue

Nagpal Stainless Steels Ltd, is offering 300,000 equity shares of Rs 10 each for cash at par to the public for subscription. The subscription list opens on July 29 and will close on August 9 or earlier but not before August 2. Each and every shareholder will be entitled to purchase at a shareholder's discount of 15 per cent on the company's listed retail prices the company's products from the company's dealers every financial year for the value equivalent to the face value of the shares held by them. This scheme will remain in operation up to the financial year ending March, 1978. The board of directores may renew the sechme for further period.

The company is engaged in the manufacture of special quality stainless steel wares such as sundae cups, mustard pots and cream jugs to cater to the needs of sophisticated consumers, more particularly to export markets. The company proposes to expand its production so as to satisfy the increased demands mainly for export and partly for domestic consumption. Since it is difficult to procure sheets and strips of the right thickness, the company has decided to set up a rolling mill unit. The proceeds of the present issue will be utilised to meet a part of the finance required for the implementation of the project.

Capital and Bonus Issues

Consent has been granted to 13 companies to raise capital of over Rs 63 million. The details are:

Shalimar Wires and Industries Ltd., Calcutta, has been accorded consent, valid for three months, to capitalise Rs 1.5 million out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for every three equity shares held.

Steelcast Bhavanagar Pvt Ltd, have been accorded consent, valid for three months, to capitalise Rs 8,00,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for each equity share held.

Mercantile Credit Carporation Ltd, have been accorded consent, valid for three months, to capitalise Rs 250,000 out of its general reserve and issue fully paid equity share of Rs 10 each as bonus shares in the ratio of one bonus share for every six equity shares held.

Engineering Contruction Corporation Ltd. Bombay, have been accorded consent, valid for three months, to capitalise Rs 7 million out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for each equity share held.

Bharat Forge Company Ltd, Bombay, have been accorded, consent valid for three months, to capitalise Rs 9.3 million out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of three bonus shares for every five equity shares held.

Kirloskar Commins Ltd, Poona, have been accorded consent, valid for three months, to capitalise Rs 21 million out of its general reserve and issue fully paid equity shares as bonus shares in the ratio of one bonus share for each equity share held.

The India Thermit Corporation Ltd, Kanpur, have been accorded consent, valid for three months, to capitalise Rs 1.55 million out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for every two equity shares held.

Tamil Nadu Sugar Corporation Ltd, Madras, have communicated to the government of their proposals to issue capital under Clause (5) of the Capital Issues (Exemption) Order, 1969 for Rs 10 million divided into one million equity shares of Rs 10 each to be issued privately to the cane growers and to general public, for cash at par. The proceeds of the issue are to be utilised to meet a part of the cost to be incurred in putting up a sugar factory in Kurungulam, Tanjavur district.

Dhunseri Tea and Industries Ltd., Calcutta, have been accorded consent, valid for three months, to capitalise Rs 500,000 out of its general reserve and issue fully paid equity share of Rs 10 each as bonus shares in the ratio of one bonus share for every three equity shares held.

Kerala Urban Development Finance Corporation Ltd., Calcutta, have been accorded consent, valid for 12 months, for the issue of debenture bonds of Rs 10 million with an option to retain additional subscription to the extent of 10 per cent of the notified amount of Rs 10 million in the event of over-subscription. The proceeds of the issue will be utilised for rendering financial assistance by way of loans and advances to the urban and local bodies in Kerala state for implementation of their development schemes.

Excel Graphics Private Limited, Valsad, have been accorded consent, valid for three months, to capitalise Rs 200,000 out of its general reserve and issue fully paid equity shares of Rs 500 each as bonus shares in the ratio of one bonus share for each equity share held.

Meters and Instruments Private Ltd. New Delhi, have been accorded consent, valid for three month, to capitalise Rs 400,300 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for each four equity shares held.

Nathani Steel Private Ltd. Bombay, have been accorded consent, valid for three months, to capitalise Rs 200,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of four bonus shares for every five equity shares held.

Dividend

(per cent)

Name of the company	Year	Equity dividend declared for This year	 Previous Year
Higher Dividend			
Saraspur Mills	Dec. 31, 75	16	12
Paper Mills Plant	March 31, 76	12	10
Universal Cables	March 31, 76	20	16
Same Dividend			
Aruna Mills	Dec. 31, 75	15.0*	15.0
Elgin Mills	Dec. 31, 75	Nil	Nil
Elphinstone Spg. & Wvg.	Dec. 31, 75	Nil	Nil
New Great Eastern Spg.	Dec. 31, 75	12	12
Patel Cotton Co.	August 31, 75	Nil	Nil
Dimakusi Tea Co.	Dec. 31, 75	30	30
Lower Dividend			
Laxmi Vishnu Textiles	Dec. 31, 75	Nil	12
New Swadeshi Mills	March 31, 76	Nil	8

* On the enlarged capital

Wholesale prices

THE OFFICIAL wholesale prices index (base 1961-62=100) stood at 305.2 during the week-ended July 3, 1976 as against 301.9 for the earlier week. The all-commodities index at this level was lower by 1.7 per cent when compared to the corresponding week of the last year, but was higher by 1.1 per cent than that of a week ago. It may be mentioned that the increase in the general index during the week ended July 3, 1976 is accounted for mainly by an increase in the prices of oilseeds, edible oils, gur, gram, tea, bananas, raw cotton and cotton yarn.

Food Articles

The index for *"food articles"* which stood at 336.3 (as against 331.0 for the previous week) was lower by 7.8 per cent when compared to the corresponding week of the last year.

Compared with the preceding week, the index was, however, higher by 1.6 per cent due to an increase in the prices of groundnut oil (+10 per cent), bananas (+5 per cent), masoor, gur, khandsari, cummin & betelnuts (+4 per cent each), ragi, potatoes, coconut oil & tea (+3 per cent each), bajra, gram, cashewnuts & vanaspati (+2 per cent each) and rice, maize, barley, mustard oil, fish, sugar & coffee (+1 per cent each).

However, the prices of moong (—6 per cent), onions (—4 per cent), oranges & turmeric (—2 per cent each), gingelly

Index Numbers of Wholesale Prices by Groups & Sub-groups

(Base : 1961-62=100)

Group & Sub-group	Week ended			
	3-7-76	26-6-76	5-6-76	5-7-76
Food Articles	**336.3**	**331.0**	**316.9***	**364.6**
Foodgrains	305.6	303.0	295.3	391.0
Cereals	303.3	300.3	293.7	381.1
Pulses	316.0	318.0*	302.6*	435.4
Fruits & Vegetables	335.2	325.1*	309.5	292.1
Milk & milk products	325.4	325.7	321.5	358.8
Edible oils	285.3	271.3	237.9	341.4
Fish, eggs & meat	680.0	676.6	645.4*	559.6
Sugar & allied products	356.3	347.6	320.3*	327.1
Others	329.4	324.9	303.7*	314.6
Liquor & tobacco	**321.9**	**329.1**	**328.8**	**213.0**
Liquor	187.0	197.0	197.0	194.2
Tobacco	327.7	328.9	334.9	319.4
Fuel, power, light & lubricants	**269.3**	**369.0**	**368.5**	**348.6**
Coal	331.6	331.6	331.6	331.6
Coke	423.4	422 4	423.4	423.4
Mineral oils	421.3	421.3	421.3	402.5
Rectified spirit	1404.7	1404.7	1404.7	547.2
Electricity	251.6	251.6	251.6	223.4
Castor oil	350.2	321.8	271.8	264.2E
Industrial raw materials	**303.5**	**296.3***	**271.6**	**276.3**
Fibres	304.3	303.7*	286.5	233.8
Oilseeds	321.0	306.6	260.3	324.1
Minerals	219 2	219.2	219.2*	227.7
Others	272 2	275.2*	278.6*	252.2E
Chemicals	**295.0**	**295.0**	**295.0***	**329.4**
Machinery & transport equipment	**260.9**	**260.7**	**260.7**	**261.5**
Electrical machinery	262.8	262.8	262.8	263.6
Non-electrical machinery	287.6	287.6*	287.6*	263.4
Transport equipment	211.2	210.4	210.2	215.6
Manufactures	**259.6**	**258.8**	**258.2**	**253.7**
Intermediate products	**329.4**	**326.3***	**318.9***	**394.0**
Textile yarn	250.3	245.3*	234.5*	216.4
Leather	318.5	318.5	305.7	279.2
Metals	418.6	417.2	419.2	395.3
Linseed oil	287.5	275.3	222.9	272.1
Finished products	**242.7**	**242.5**	**243.3**	**241.6**
Textiles	218.2	218.3	223.2	222.4
Metal products	298.9	298.9	298.9	297.6
Non-metallic products	301.6	299.6*	296.6	277.5
Chemical products	263.6	263.6	263.6	265.6
Leather products (Shoes)	147.1	147.1*	147.1*	149.6
Rubber products	245.5	244.4*	214.4	233.8
Paper products	222 0	222.0	222.0	230.2
Oilcakes	330.1	327.3	233.8*	230.6E
Miscellaneous	174.0	174.0	172.4	174.5
All commodities	**305.2**	**305.9***	**292.6***	**310.4**

E = Estimated * Revised

Source : Office of the Economic Adviser, Deptt. of Industrial Development.

oil & black pepper (—1 per cent each) declined.

Liquour & Tobacco

The index for "*liquor & tobacco*" fell by 0.4 per cent to 321 as against 323.1 for the earlier week due to a fall in the prices of raw tobacco (—1 per cent).

Fuel, Power Light & Lubricants

The index for "*fuel, power light & lubricants*" group worked out to 369.3 as against 369.0 for the earlier week. Prices of castor oil (+9 per cent) increased during the week.

Industrial Raw Materials

The index for "*industrial raw materials*" went up to 303.5 from 296.8 in the last week owing to an increase in the prices of linseed (+12 per cent), castor seed (+11 per cent), cotton seed (+6 per cent), rapeseed (+5 per cent), groundnuts & copra (+4 per cent each) raw cotton, raw silk & gingelly seed (+1 per cent each). However, the prices of raw jute & mesta (—2 per cent) declined.

Chemicals

The index for "*chemicals*" group stood stationary at its previous work's level of 295.0. Compared to the corresponding week of the last year, the index showed a fall of 10.4 per cent.

Machinery & Transport Equipment

The index for "*machinery & transport equipment*" group worked out to 260.9 as against 260.7 for the earlier week. Compared to the corresponding week of the last year, the index registered a fall of 0.2 per cent.

Manufactures

"*Manufactures*" group comprising of (a) intermediate products and (b) finished products, increased by 0.3 per cent to 259.6 as against the last week's level of 258.8.

Intermediate Products

The index for "*intermediate products*" advanced by 1.0 per cent to 329.4 as compared to 326.3 for the last week due to an increase in the prices of linseed oil (44 per cent), cotton yarn, coir yarn, zinc & tin (+2 per cent each) and brass sheets & lead (+1 per cent each).

Finished Products

The index for "*finished products*" stood at 242.7 as against 242.5 for the last week. Prices of other rubber products (+2 per cent) and cement & oilcakes (+1 per cent each) increased.

Index Number of Security Prices — All India

(Base : 1970-71 = 100)

Week ended	1975			1976		
	July 5	June 5	June 12	June 19	June 26	July 3
Government and semi-government securities	96.3	96.5	96.5	96.6	96.6	96.7
Government of India	95.2	95.4	95.4	95.4	95.5	95.6
State governments	99.1	99.4	99.3	99.4	99.4	99.4
Semi-government institutions	101.1	101.6	101.6	101.8	101.7	101.8
Debentures	93.1	90.0	90.0	90.1	90.2	90.5
Preference shares	85.5	80.8	80.8	81.0	81.2	81.2
Ordinary shares	90.8	96.2	97.7	100.2	101.0	100.8
Tea plantations	112.6	125.1	126.6	126.7	126.5	127.8
Cotton textiles	107.0	93.5	92.8	92.5	92.4	92.3
Jute textiles	103.9	81.6	82.4	82.5	82.5	85.4
Silk, woollen and rayon textiles	104.5	122.2	127.0	131.1	128.5	128.6
Iron and steel	43.0	48.2	48.5	49.9	52.4	48.8
Aluminium	52.1	53.5	56.7	60.0	61.6	60.5
Transport equipment	62.2	66.2	68.7	73.1	73.7	72.5
Electrical machinery, apparatus, appliances, etc.	85.5	91.6	93.5	96.6	97.7	97.2
Chemical fertilisers	134.0	162.6	163.6	169.5	169.6	167.8
Other basic industrial chemicals	93.0	115.1	116.9	121.2	122.3	122.0
Cement	78.7	89.9	91.0	93.1	94.1	94.6
Paper and paper products	141.3	132.6	133.8	137.2	138.1	137.8
Rubber and rubber products	80.7	63.2	64.6	68.6	70.4	72.0
Electricity generation and supply	59.0	63.7	65.0	67.9	69.0	69.7
Shipping	125.2	149.7	149.6	153.5	156.6	157.5

Source : Reserve Bank of India.

Reserve Bank of India (Rs. lakhs)

	July 2, 1976	A week ago	A month ago	A year ago
Issue Department				
Notes held in banking department	41,27	37,59	19,82	12,46
Notes in circulation	7,173,22	7,137,04	7,180,55	6,581,27
Total notes issued	7,214,50	7,174,63	7,200,36	6,593,73
Gold coin and bullion	182.53	182,53	182,53	182,53
Foreign securities	546,74	546,74	371,74	121,74
Rupee coin	14,79	14,92	10,64	4,08
Government of India rupee securities	6,470,45	6.430,45	6,635,45	6,285,39
Banking Department				
Deposits of cent. govt.	50,98	56,87	50,18	58.16
Deposits of st. govt.	19,10	11,71	12,39	10,76
Deposits of banks	666,00	656,86	712,92	550,05
Other deposits	2,162,48	1,919,99	1,876,23	994,74
Other liabilities	1,867,29	2,056,01	2,007,21	1,855,37
Total liabilities or assets	4,765,85	4,701.44	4,658,92	3,469,08
Notes and coins	41,34	37,71	19,91	12.52
Balances held abroad	1,219,36	1,231,60	1,221,72	412,34
Loans and Advances to :				
State governments	224,21	320,14	298,18	362,52
Scheduled comm. banks	1,043,58	760,34	892,02	251,37
State coop. banks	240,43	226,52	204,57	356,38
Other loans and advence	594,08	542,58	543,78	404,63
Bills purchased and discounted :				
Internal	142,04	144,04	116,06	120,46
Govt. treasury bills	261,82	249,98	317,37	248,18
Investments	193,49	362,34	244,86	912,32
Other assets	805,50	826,19	800,43	388,35

Scheduled Commercial Banks

(Rs. lakhs)

	July 2, 1976	A week ago	A month ago	A year ago
Aggregate deposits	15.171,95	15,056,27	14,746,47	12,580,56
Demand deposits	6,159,56	6,070,48	5,961,46	5,271,49
Time deposits	9,012,38	8,985,79	8,785,01	7,309,07
Borrowings from Reserve Bank	1,043,58	760,34	892,02	251,37
Cash and Balances with Reserve Bank	963,51	960,53	999,90	857,58
Cash	344,46	343,21	322,75	334,12
Balances with Reserve Bank	619,05	617,32	677,15	523,46
Investments :				
Government securities	3,499,67	3,430,62	3,391,77	2,911,72
Bank credit	11,670,60	11,463,65	11,417,55	8,995,81
Loans, cash credits and overdrafts	8,953,47	8,773,10	8,838,42	7,280,56
Inland bills	2.238,98	2,210,57	2,079,69	1,392,66
Foreign bills	47,815	47,998	49,944	322,59
Cash—deposit ratio	6.35	6.38	6.78	6.82
Investment—deposit ratio	23.07	22.79	23.0	23.14
Credit—deposit ratio	76.92	76.14	77.43	71.51

Source : Reserve Bank of India.

Money Supply with the Public (Rs. crores)

Weed ended	1975			1976		
	June 27	May 28	June 4	June 11	June 18	June 25
A. **Money supply with the public**	12,187	13,420	13,550	13,666	13,631	13,602
Currency with the public	6,707	7,211	7,365	7,502	7,436	7,295
Other deposits with the Reserve Bank	65	46	53	49	40	50
Bank money	5,415	6,163	6,132	6,115	6,155	6,257
B. **Factors affecting money supply** (1 + 2 + 3 + 4 — 5)						
1. Net bank credit to government sector (a + b)	10,506	10,759	10,898	10,945	10,806	10,814
(a) Reserve Bank's net credit to government sector	7,515	7,244	7,390	7,420	7,251	7,256
(*b*) Other banks' credit to government sector	2,991	3,515	3,508	3,525	3,555	3,558
2. Bank credit to commercial sector (a + b)	11,277	13,691	13,736	13,820	13,878	13,875
(*a*) Reserve Bank's credit to commercial sector	625	712	714	729	739	740
(*b*) Other bank's credit to commercial sector	10,652	12,979	13,022	13,091	13,139	13,135
3. Net foreign exchange assets of banking sector	310	1,077	1,094	1,156	1,211	1,279
4. Government's net currency liabilities to the public	554	554	556	556	554	551
5. Non-monetary liabilities of banking sector (a + b + c)	10,460	12,661	12,734	12,811	12,818	12,917
(*a*) Time deposits with banks	7,682	9,199	9,253	9,335	9,399	9,461
(*b*) Net non-monetary liabilities of RBI	1,957	2,351	2,380	2,396	2.413	2,449
(*c*) Residual	821	1,111	1,101	1,080	1,006	1,007
C. **Aggregate monetary resources [A + B5 (a)]**	19,869	22,619	22,803	23,001	23,030	23,063

Source: Reserve Bank of India.

Consumer Price Index Numbers for Industrial Workers

(1960 = 100)

Centre	1965-66	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1975 Mar.	1975 Oct.	1975 Nov.	1975 Dec.	1976 Jan.	1976 Feb.	1976 Mar.
All-India	—	177	186	192	207	250	317	313	321	316	315	305	298	290	286
Ahmedabad	130	169	176	181	198	245	305	293	304	293	295	289	281	273	258
Alwaye	145	197	198	202	215	267	346	358	378	349	356	346	333	318	322
Asansol	140	178	189	194	206	245	316	317	319	323	225	315	310	304	302
Bangalore	144	183	186	194	212	265	318	332	336	337	339	332	322	312	304
Bhavnagar	132	178	186	194	217	273	327	315	333	310	318	312	302	294	290
Bombay	130	175	182	190	203	233	289	300	301	305	303	296	292	288	286
Calcutta	131	172	182	187	197	228	288	287	275	301	304	287	277	271	276
Coimbatore	132	154	163	177	189	218	309	319	335	324	314	302	299	293	239
Delhi	136	185	199	211	222	265	337	333	335	336	334	323	325	325	324
Digboi	138	180	189	188	198	234	310	317	314	301	310	305	302	302	303
Gwalior	139	184	191	197	214	271	348	324	343	328	327	321	305	298	293
Howrah	137	176	186	191	206	239	298	290	289	298	304	292	281	276	277
Hyderabad	140	185	189	195	211	251	304	316	317	320	329	324	308	294	289
Jamshedpur	136	170	183	187	202	249	313	293	297	299	298	289	279	277	275
Madras	134	160	170	182	203	229	301	314	323	320	322	304	286	280	272
Madurai	128	162	183	192	206	236	334	333	356	339	313	303	301	295	290
Monghy	151	188	205	204	225	292	363	325	333	341	326	310	311	303	299
Mundakayam	138	191	197	199	210	263	337	346	366	339	344	330	327	311	311
Nagpur	138	176	187	192	203	256	314	326	332	337	339	329	304	286	277
Saharanpur	141	181	186	198	213	253	338	313	341	308	340	306	304	301	293
Sholapur	128	176	185	198	216	277	325	342	345	356	349	338	324	301	291

Source : Labour Bureau, Government of India.

Consumer Price Index Numbers for Urban Non-manual Employees

(1960 = 100)

Centre	1965-68	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1974 Dec.	1975 July	1975 Aug.	1975 Sept.	1975 Oct.	1975 Nov.	1975 Dec.
All-India	**132**	**167**	**174**	**180**	**192**	**221**	**270**	**282**	**280**	**280**	**280**	**280**	**280**	**276**
Bombay	132	162	168	172	183	204	241	248	248	247	246	247	250	246
Delhi-New Delhi	131	168	174	180	190	217	262	268	275	279	277	276	275	272
Calcutta	126	162	170	174	180	204	238	244	244	245	244	246	248	244
Madras	133	161	175	188	204	231	291	313	312	312	312	313	315	307
Hyderabad-Secunderabad	133	167	174	180	195	223	270	285	287	284	283	286	289	285
Bangalore	133	164	172	180	194	228	272	282	283	282	284	286	287	287
Lucknow	132	161	166	174	185	215	265	274	275	274	275	275	274	269
Ahmedabad	131	168	171	173	188	222	271	280	278	278	273	273	274	266
Jaipur	133	176	183	188	205	244	308	322	311	316	317	315	313	310
Patna	139	180	191	190	199	229	286	299	286	287	287	288	288	284
Srinagar	134	174	184	191	200	215	262	275	279	284	288	288	283	283
Trivandrum	131	172	178	184	198	231	280	289	297	293	292	294	300	304
Cuttack-Bhubaneswar	142	169	176	184	196	221	266	278	274	273	274	275	276	267
Bhopal	133	172	180	188	204	238	295	307	306	303	301	298	298	297
Chandigarh	129	171	178	183	194	217	265	277	276	277	281	280	280	280
Shillong	123	164	166	175	183	208	257	267	272	278	289	282	279	274

Source : Central Statistical Organisation.

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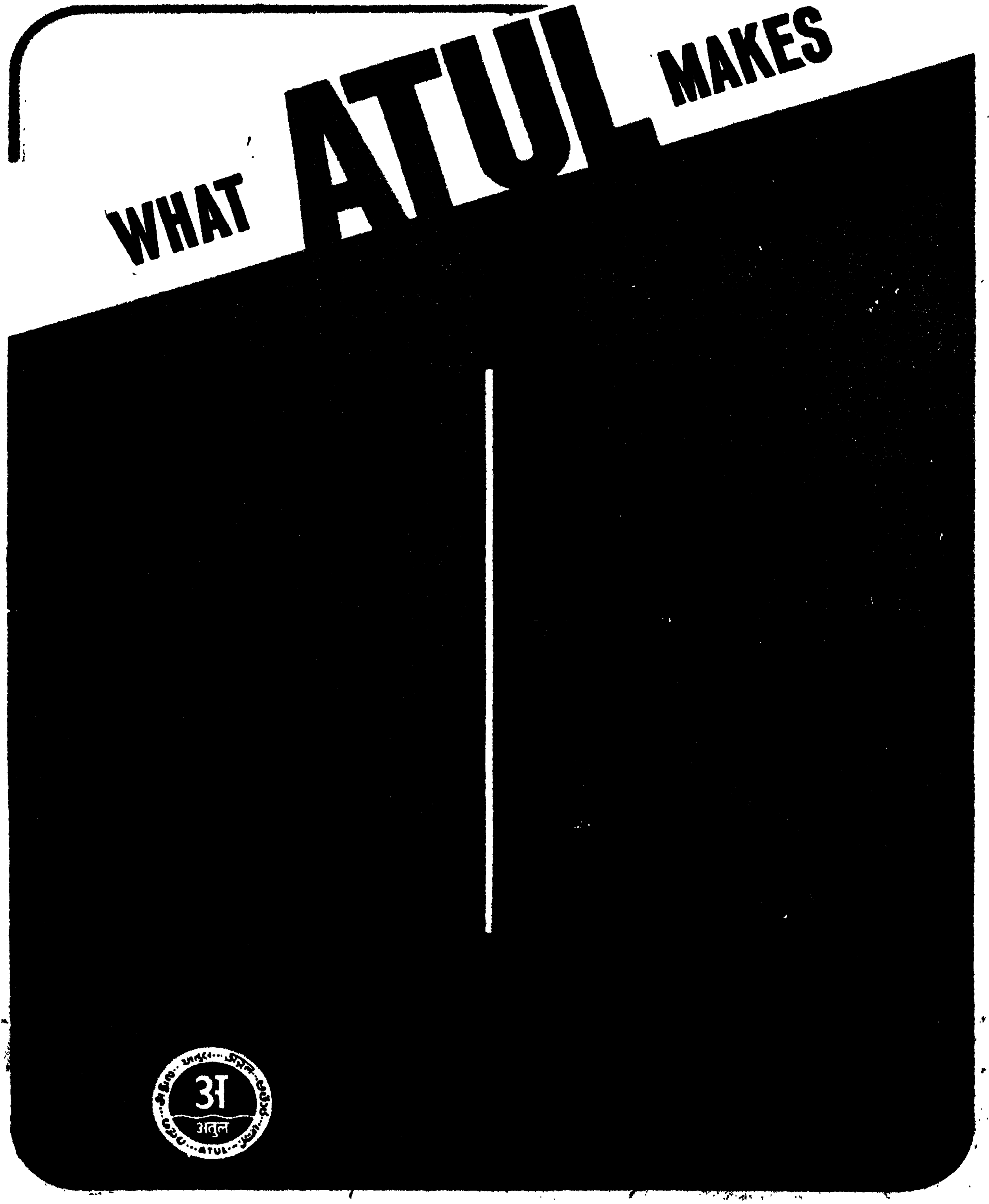

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Industry: on the threshold of a boom?

THE CENTRAL Advisory Council of Industries—the forum for a dialogue between government and industry—held its 27th meeting in the capital recently after three postponements. Reason: "Certain unavoidable circumstances", as Mr T.A. Pai, union minister for Industry and Civil Supplies, put it. But the ministry can legitimately take pride in the achievements made in the intervening period. For instance, the index of industrial production in the financial year ending in March 1976 recorded a rise of 5.7 per cent as against 2.5 per cent in 1974-75 and a small drop (—0.2 per cent) in 1973-74. The quarter January-March this year exhibited an outstanding performance with the growth rate at more than 10 per cent. Surely, the industrial scene has changed remarkably with the absence of management-labour strifes and a pragmatic approach adopted by the government in tackling various problems facing the industry.

Obviously the upturn in industrial output witnessed particularly since the begining of the current year has been due to increased utilisation of available capacity following the disappearance of a number of bottlenecks. But to keep up a rate of industrial growth ranging between eight and 10 per cent a year will require substantial additions of new capacity or expansion of the existing one. The government on its part has been liberally issuing both letters of intent and industrial licences but not many of them—especially relating to capital-intensive industries—have been implemented because of the steep increase in the cost of equipment and machinery. The feasibility of these projects is now questionable and ample evidence in this regard has been available from units which have been completed only recently and which have made heavy losses against expectations of reasonable profitability. There is the glaring example of the tyre industry where the new units are already in the red primarily because the total cost of each unit turned out to be significantly beyond the assumed cost in the feasibility report. It is known that the government had appointed a high-powered committee to look into this problem and that its report is already with the government. Surely it is not too much to expect that the government should start implementing the recommendations of this committee without loss of time.

Again, despite the recent upsurge in industrial production, there are certain industries such as cotton textiles, automobile tyres, and engineering industries—particularly the consumer durables such as refrigerators—which have been hit hard by the recession and which have been forced to curtail production. They have urged the government to take such measures as would bring about a revival in demand. In particular, they would like the rates of interest charged by commercial banks to be reduced and wherever the excise duty is heavy, suitable scaling down should be instituted. Of course, the demand for these products is also a function of the growth in the economy and the ability of the people to save after meeting the most essential needs.

The government on its part is reviewing the economic scene week after week. It would certainly like to assist the industries in distress but is hamstrung by certain recent developments. For example, the index of wholesale prices has been moving upwards since the middle of March this year and it has been causing some concern in the economic ministries. At this time, the government is understandably hesitant to alter the dear money policy, however pressing the needs of the distressed industries. In regard to the revision of excise duties, the government has asked the industry to await the recommendations of the L.K. Jha committee which has been appointed a couple of weeks ago. In short, the recession-hit industries are not likely to receive any relief in the short period and will have to hit upon ways and means to minimise their losses.

And then there is the question of replacement and modernisation of old plants.

In this connection, the industry has urged the government to adopt a realistic policy. The pricing of manufactured goods when based on the original cost of the plant does not leave sufficient resources for replacement and modernisation. Unless the manufacturers are allowed to fix prices of their products on the basis of the replacement cost of the plant, enough surplus would not be generated.

To ask the industry to approach the shareholders for this purpose is hardly logical. The fact of the matter is that this debate has been carried on in this country for too long and is bound to cast unhealthy shadows on the working operations of the industry. It is advisable that by adopting a give-and-take policy, the government evolves a mutually acceptable formula so that the process of replacement and modernisation can be initiated in an orderly way.

Power projects and their implementation

THE DISCUSSIONS at the recent conferences of chairmen of the state electricity boards and state power ministers in the capital revealed increased appreciation of the importance of creating new generating capacity and implementing rural electrification schemes on a long-term basis. It was actually agreed that the goal of 100 per cent rural electrification of all states should be achieved on a time-bound basis and a blue-print to this effect should be got ready in the next few months. The union minister for Energy, Mr K.C. Pant also stressed the need for monitoring strictly the progress of work on different projects and adopting corrective measures for avoiding slippages in construction schedules and overcoming bottlenecks relating to the availability of resources in men and material. The keen awareness of the problems concerning the execution of power projects has not however helped the state electricity boards to achieve truly impressive target for new generating capacity in 1976-77.

unrealistic targets

Apparently, the central government was anxious to avoid a big shortfall over the target for new capacity as happened in 1975-76 by fixing unrealistic targets for the different state electricity boards. Against the original target of 2600 MW of generating capacity, the actual capacity commissioned in 1975-76 was only 1800 MW. This achievement was no doubt creditable as in earlier years the additions to capacity were quite unimpressive and there were serious lapses in the fourth Plan period. This valuable addition to capacity, improved hydel generation and better functioning of thermal plants resulted in the availability of power on a scale which enabled many state electricity boards to lift restrictions on consumption. There were even problems of utilisation of surpluses in the north-western region and thermal generation had to be slowed down because of difficulties in operating on a regional basis, due to inadequate transmission facilities.

demand for power

The demand for power is, however, growing all the time, thanks to an increase in industrial and agricultural loads and the use of electricity in place of oil for many purposes. It is expected that there will be an increase in generation by over 10 per cent in 1976-77 as compared to even the creditable performance of 1975-76 and the demands of all classes of consumers in many regions can be comfortably met. But Maharashtra, West Bengal, the north-eastern region and Karnataka will have shortages and power cuts will be inevitable. Madhya Pradesh too has a deficit, which will become more pronounced when the Korba Aluminium Unit steps up further output. The rationing of power in West Bengal will is affect the working of jute industry which is already feeling debilitated while other industries too cannot use fully existing capacity. Maharashtra had reduced its cuts, but there is no prospect of full supply for some time. The difficulties of Kerala have of course been temporary as they were unprecedented and the revival of monsoon has enabled the State electricity board to lift the cuts. The Tamil Nadu Electricity Board however have been obliged to an unexpected cut of 30 per cent to industrial consumers, because of inadequate rainfall in the catchment areas and the inability of Kerala to supply the required power from the Idukki and Sabarigiri projects. With improvement in hydel storage in Kerala and increase in rainfall in catchment areas of the hydel reservoirs in Tamil Nadu, it may even be possible to reduce or eliminate the cuts after sometime.

quickening the pace

These developments, however, emphasised the need for more balanced power generation and the creation of capacity in such a way that the operations of industrial and agricultural sectors in vital areas are not affected by power shortage. What exactly is the disability in quickening the pace of implementation of power projects when there is an overall adequacy of financial and physical resources is not clear. The chairmen of state electricity boards have indicated that it would be possible to create an additional capacity of only 2006 MW against the target of 2500 MW adumberated in the annual Plan for 1976-77. The union Finance minister, Mr C. Subramaniam, gave also the assurance to the union ministry of Energy when he addressed the conference of state power ministers that adequate funds would be made available to the boards for completing the on-going schemes and the work will not be delayed on account of financial bottlenecks.

With the earlier claim that there would be a bunching of completion of new projects in the first six months of the current year and additional capacity for 800 MW will be created, it was reasonable to expect that the target for 2500 MW would be reached. However, the constraints relating to financial resources and technical personnel have made it difficult for the target to be achieved. There will be only a modest improvement as compared to the performance of 1975-76.

The bad state of finances of some electricity boards and their inability to plan on ambitious lines are actually inhibiting the progress of power planning on desired lines. But if a state like Andhra Pradesh can get out of its stupor and effect additions to capacity in a way which may give rise to embarrassing temporary power surpluses, there is no reason why other states cannot proceed on similar lines and initiate also schemes for industrial development and rapid rural electrification. The disposition to think on conventional lines has obviously been standing in the way of executing power projects on a compartmental basis.

need for efficiency

It cannot be expected that there can be a metamorphic change in the finances of state electricity boards in a short period and a larger outlay on Plan schemes can be attempted only with faster generation of internal resources and adequate return on existing investments. This is of course no excuse for continuing to operate on an inefficient basis and making ineffective use of capital intensive projects. However, it has been amply demonstrated by the Tamil Nadu Electricity Board in the past year that there can be a metamorphic change in the financial position if only strenuous efforts are made to improve power generation with existing equipment and reduce transmission losses with a toning up of distribution facilities and elimination of piracy. For the first time in five years the Tamil Nadu Electricity Board will be meeting fully interest charges on loans to the state government and providing also completely depreciation charges and required contributions to reserve funds. The improved operating efficiency of Ennore Thermal Plant, a reduction in transmission losses and larger hydel generation help the board to increase its revenues by as much as Rs 40 crores in 1975-76. With the benefit of modifications to the generating sets of Ennore resulting in larger power generation in the coming months and the prospect of resumption of power supply from Kerala, the financial position may improve further in 1976-77 and higher cost of purchased power will be offset by higher charges on industrial and other loads. The total quantum of power generated and the boards own sources may still be sizably more than in 1975-76 in spite of temporary difficulties. What has happened to TNEB is also possible in the case of other electricity boards and if only a special cell can be created for helping the regions in difficulty, the generation of internal resources can take place at a really impressive rate.

The union ministry of Energy and the Planning Commission should not wait for these developments to step up plan allocation for power projects. The centre has ample resources at its disposal while there is no dearth of generation and transmission equipment. The centre can even insist on special safeguards in respect of fresh investment and embark on construction of super thermal stations in areas where the projects can be completed in three years and the collieries have been fully developed as in Madhya Pradesh, West Bengal and Andhra Pradesh. It will also be desirable to increase the capacity of existing thermal stations in strategic areas in Maharashtra, Andhra Pradesh and Tamil Nadu. The claim of Karnataka for a medium-sized thermal station for balanced operations has relevance while the augmentation of capacity of the Tuticorin and Vijayawada Thermal Stations will enable more closely integrated regional operation in the southern states. Similar arrangements are possible in Orissa, West Bengal and in UP and MP. When the demand for power is conditioned by its availability and it should not be difficult to create generating capacity for 3500 MW annually in a short period, an entirely new approach has to be adopted when implementing power schemes. It should at least be the objective for having the target of 3000 MW in 1977-78, with bigger increases in subsequent years.

SIPCOT tomorrow and the day after

SIPCOT STANDS for State Industries Promotion Corporation of Tamil Nadu Ltd. Registered as a public limited company wholly owned by the government, its aim is to play a "catalytic" role in the promotion and development of major and medium industries in the private sector and to achieve a wider dispersal of industries in the backward areas of the state. It pioneered the Ranipet industrial complex in 1973 in pursuance of the above aims. The complex extends over an area of 700 odd acres near Ranipet in the Walajapet taluk of North Arcot district.

The Indian Institute of Public Opinion* New Delhi, who conducted a survey of the complex sees a bright future for the area by the early eighties if everything goes according to plan. Massive investment in the complex began in 1974 proceeded rapidly in 1975 and is continuing in 1976. No less than 33 entrepreneurs have been allotted developed plots in the complex. The estimated gross income in 1978-79 will be Rs 37 crores of which Rs 11.3 crores would represent wealth generated by the complex. Out of this seven crores of rupees will be retained in the taluk and Rs 4.3 crores would flow outside it. The activation of other taluks of the district would be significant. The Rs 7 crores retained would generate a multiplier effect in secondary and tertiary activities.

Employment in 1978-79 will be of the order of the 3500 jobs, semi-skilled and skilled. If some of the recommended programmes for housing public buildings, hospitals etc. are put through, 1000 jobs per year may be added to the above. According to the 1971 census the number of industrial workers in the Ranipet area was 3758; it related to the 57 units then operating in the Walajapet taluk. By 1978-79 the direct industrial employment would be doubled and in addition about 3700 jobs created. In 1970-71 organised industry contributed less than a fourth of the net domestic product. In 1978-79 it will be half the net product.

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*A Socio-Economic Evaluation of the SIPCOT Industrial Complex at Ranipet, Tamil Nadu.

It is visualised that the industrialisation of the taluk will not have any adverse effect on the availability of labour for agricultural activities. It is suggested that if the recruiting authorities give preference to the registered unemployed, any tendency of agricultural labour to migrate into industry can be checked. The state housing board's hire-purchase monthly instalment scheme has not proved popular because of the high cost. In the opinion of the institute it is not necessary that workers should be locally housed. It favours advancing of loans to employees for buying bicycles, mopeds or scooters according to their income. It would also be good investment if employers made arrangements for the transport of employees. There are many procedural impediments to the provision of facilities to the entrepreneurs. The removal of red tape in relation to power supply, for instance, may have a salutary effect. SIPCOT has been advised to take immediate steps for providing medical, telephone and telegraph facilities as well as police and fire stations in the complex. It is stated that out of about Rs 140 lakhs claimed by the state, the centre has reimbursed less than Rs 50 lakhs up to September, 1975 in respect of all the districts. Delays hamper development.

The choice of Ranipet for the subject of this study is perhaps open to question. In terms of geographical features and industrial possibilities Walajapet may be the envy of many other taluk in the country. Therefore the projection of the prospects of Ranipet should amount to a study of a very hopeful case as distinct from an average or typical case.

commendable effort

The institute has produced the report within the record time of two months. This is indeed commendable because the speed achieved is not at the cost of efficiency. It is not unusual for a government ordered commission to take as long as five years or more to produce a report of sorts. One cannot however forget that the benefits accruing from the Ranipet complex are largely estimates for the years 1978-79 and onwards. Even if these estimates are realised, would it amount to a "catalytic" role on the part of the Ranipet complex? Only a small investment ushering in mighty gains must be regarded as "catalytic". In the meantime some of the industries have been hit by the recession already. While the outlook is optimistic, constant vigil has to be exercised to prevent the "many a slip betwixt the cup and the lip".

New industries in West Bengal

Mr Siddhartha Shankar Ray, the chief minister of West Bengal, recently announced that he was going to set up a committee consisting of the representatives of the Industrial Development Bank of India and other financial institutions in order to promote investment. The terms of reference of this committee and its personnel have not yet been finalised. Nor is it clear whether the committee would also include the representatives of the chambers of commerce who have lately been taking increased initiative in encouraging new investment in industries and in the substantial expansion of the existing ones. The proposed committee can play a useful role provided the chief minister himself takes a direct interest in its activities and sees to it that the entrepreneurs are able to secure prompt assistance both from the government of India and the state government in regard to letters of intent and licences as well as finance, power, land and in other matters.

tardy progress

While presenting the state budget on March 1, this year, Mr Sankar Ghose, the Finance minister (now the union minister for Planning) expressed his regret that 73 applications involving an investment of Rs 112 crores were pending with the government of India and that another 161 applications involving delicensed items with an investment of Rs 55 crores were pending with the registration authorities. It is not known what progress has been made in disposing of these applications and how many of them will actually start production in the near future.

The West Bengal Industrial Development Corporation in its review of activities for 1975-76, released recently, has revealed that it has so far assisted 97 new projects with a total project cost of about Rs 112 crores. These consist of 20 projects of substantial expansion and 77 new industries, of which 25 with a project cost of Rs 26 crores have come into production.

new schemes

The schemes for which sanction was given by the corporation during 1975-76 were for the production of such items as grinding and bearing balls, synthetic detergent, aromatic chemicals and perfumery compounds, calcium carbide, steel pipes and tubes, paper, industrial gases and wire drawings. Eleven units assisted by the corporation and which came into production during 1975-76 were engaged in products like calcined petroleum coke, steel ingots, paper and wire ropes. The corporation has not indicated when the projects sanctioned in 1975-76 are likely to commence production. Nor is any information available about the number of persons employed by them.

It is also important to note that the backward districts have been able to attract very few industries. The sanctions given by the corporation during 1975-76 were mainly for those located in Calcutta, Hooghly, . and 24-Parganas and these districts account for over 80 per cent of the total number of persons employed in the registered factories in the state. The corporation therefore should give greater attention to the growth of industries in the other districts where a large portion of the population lives below the poverty line.

The corporation has been giving various kinds of incentives to entrepreneurs for setting up new units and for their expansion. The incentives are in the form of contribution to feasibility studies, refund of sales tax, power subsidy, octroi relief, financial assistance in the form of underwriting and participation in shares ar debentures, short-term loans, and central subsidy. Up to March 31, 1976, the number of sanctions given was as follows: feasibility studies 39, sales tax refund 50, power subsidy 32, octroi relief 33, underwriting and participation in shares and debentures 37, short-term loans eight and central subsidy 14. It is not clear whether these figures represent the sanctions since 1967 when the corporation was set up or since 1972 when it was reorganised.

In any case, there is clearly an urgent need for the corporation to show greater dynamism in stimulating investment. It should review its scheme of incentives, make it more effective, and give wide publicity. Recently, Mrs Kidwai, the UP minister for Industries, and Mr Lokpati Tripathi, the minister for Irrigation, accompanied by the Commissioner for Industries, and other senior officers visited Calcutta and held discussions with entrepreneurs with a view to induce them to invest in Uttar Pradesh. The UP ministers explained the various incentives and facilities available in their state. It is not known to what extent they will succeed in attracting investors to their state. But it is important to note that some of the incentives offered by the UP government, as in the case of sales tax and octroi relief, are more attractive than in West Bengal.

The banks and the other financial institutions should be able to play a more active and positive role in promoting investment in West Bengal. There are fewer banks in West Bengal than in many other states. In June 1975 there was one bank for every 29,000 persons in the country as a whole but in West Bengal there was only one for 41,000 persons. Moreover, the credit given by the banks has been meagre even for the priority agricultural sector. Since nationalisation in July 1969 and up to June 1974, deposits in West Bengal increased by Rs 726 crores but advances rose by only Rs 468 crores.

As regards advances to the priority agricultural sector, as at the end of June 1974, the outstanding credit by the scheduled banks was Rs 19.96 crores and this, with the outstanding credit of scheduled banks to plantation of Rs 50.75 crores, formed only 6.9 per cent of the total advances by these banks. It remains to be seen to what extent the banks and the other financial institutions will be able to create greater interest in investment in West Bengal. Meanwhile, the state government should create the appropriate conditions to enable the existing industries to operate profitably, to reopen the closed units, and to revive the sick ones. The department of industries has to function with far greater initiative and dynamism in exploiting effectively the immense potential that exists in West Bengal for the development and diversification of industries.

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CAPITAL'S CORRIDORS

R. C. Ummat

Railway traffic trends • National plan for edible oils • Energy policy

THE FEAR expressed in this journal about a month ago that following the marked improvement in the operational efficiency of railways since the declaration of emergency in June last year, which, along with the clearance of the backlog of maintenance to a great extent, has considerably augmented the traffic carrying capacity of this premier departmental undertaking, might adversely affect the allocations for its developmental programmes for the current financial year has turned out to be true. The Planning Commission is understood to have provided for a sum of Rs 407 crores for these programmes during this year's overall Plan. This figure is said to fall short of the demand of railways by approximately Rs 95 crores.

reduced outlays

The reduced outlay may not cause any upset immediately and it might also be warranted in view of the anxiety of the Planning Commission and the government to contain deficit financing this year in the overall interest of containing the prices spiral, but it is arguable whether it would jeopardise, to some extent at least, the long-term interests of the economy which call for the development activity in such infrastructure fields as transport to be marginally ahead of the estimated requirements. There can be no denying the fact that the gestation period of various developmental programmes of railways, particularly the laying of new lines, is considerable and efforts have to be made to maintain a regular and reasonable flow of funds for this type of activity. It is understood that the allocation for the current financial year does not contain any provision for the construction of new lines.

To some extent, however, the railways should have a greater elbow room for its developmental efforts this year, as the traffic trends during the first three months —April to June—suggest that the estimates presented by the Railway minister, while announcing the budget for this year, would turn out to be very conservative.

buoyancy in traffic

The buoyancy in traffic—both passenger and goods - which was witnessed last year, especially in the terminal quarter from January to March, has not only continued unabated but also appears to have surpassed expectations. The originating revenue earning freight traffic is said to have gone up from 45.40 million tonnes during these three months last year to as much as 50.85 million tonnes this year, representing an increase of 5.45 million tonnes. Taking into consideration the proportionate budget target for the period, the increase in the revenue earning tonnage lifted by railways during the three months to June was of the order of 1·75 million tonnes. This was despite the fact that the traffic of iron ore for export as well as of fertilisers did not come up to expectations; compared to the corresponding period last year, this traffic was even somewhat lower this year. Including the non-revenue earning departmental traffic, the originating traffic during the April-June this year has been as much as 63.15 million tonnes, out of the overall estimate of moving about 225 million tonnes over the year as a whole.

So far as passenger traffic is concerned, the number of passengers booked during the first three months of the current financial year has been 798.6 million—an increase of 136.67 million or 20.6 per cent over the previous year's level. The increase in non-suburban traffic has been about 20.6 per cent and in the suburban traffic approximately 20.7 per cent. The budget estimate for the year as a whole envisages only a growth of four per cent in the passenger traffic this year.

It, however, will be erroneous to assume that the number of passengers travelling by railways has gone up so substantially as the above figure suggest. Surely, the Indian public has not become travel-minded all of a sudden. The sharp increase in the number of passengers booked by railways this year apparently is a reflection of the concerted drive launched against ticketless travel, which has resulted in substantially increased window sales of tickets.

This, of course, should have a very salutary effect on railway finances, notwithstanding the fact that the suburban traffic continues to be significantly subsidised, although in spite of the successive increases in the fares of non-suburban traffic, the receipts from this traffic too do not fully cover the costs. The improved earnings perhaps will indicate that whereas the loss to railways on non-suburban traffic at the present fare structure is not as much as calculated hitherto, that on the suburban traffic is still not insignificant.

increased earnings

The gross earnings of railways during the first three months of the current financial year are stated to have shown an increase of over Rs 20 crores over the budgeted target for the period.

The various operational ratios of railways suggest that there has been an all-round improvement in the working of the undertaking compared to the previous year. These ratios, however, are not available for the entire first quarter, but only for the months of April and May. This is evident from the table on page 268.

Encouraged by the impressive increase in the originating goods traffic last year which aggregated to as much as 222.7 million tonnes (inclusive of the non-revenue earning originating traffic)—over 12 million tonnes more than the target for the year, 8·7 million tonnes more than even the revised estimate put forth by the minister for Railways in this year's budget speech and also 5.7 million tonnes more that what the minister had hoped would be the final tally for the year—the target of carrying 225 million tonnes originating traffic this year, contained in the minister's budget speech, has already been revised upward, particularly in regard to the revenue earning traffic. The step-up in the revenue earning goods traffic has been of the order of four million tonnes. The railway administration, however, is confident that it will be able to carry both passenger and goods traffic even to greater extent for it is quite well placed in regard to capacity. In fact, with a view to attracting as much as high-rated, long-distance goods traffic, the regional railway authorities are stated to have been given powers to provide some discounts on freight rates.

economy in expenses

Simultaneously, vigorous efforts are being made to achieve economy in working expenses. This drive, launched in a concerted manner some three years ago, yielded a saving of about Rs 34 crores in 1973-74 and nearly Rs 55 crores in the subsequent year. The figure for 1975-76 is not yet available, but taking into consideration that in spite of the very heavy increase in expenditure (Rs 153 crores) on account of the post-budgetary liabilities — arising out of five additional instalments of dearness allowance to employees, increase in fuel and other material costs and expenditure on restoration works consequent upon extensive damage to railway property because of widespread floods and cyclones — which would have converted the budgeted surplus of Rs 23 crores into a deficit of about Rs 130 crores, the deficit was contained according to the revised estimates to only Rs 62.81 crores. To some extent, the increase in earnings because of better traffic trends helped in bringing down the deficit, but the major factor responsible for this obviously was the enforcement of stringent economic measure. Due to the fact that the actual traffic carried by railways last year has turned out to be even better than the revised estimates, the shortfall of Rs 62.81 crores in the last year's balance-sheet should come down not insignificantly.

The railways currently are paying special attention to some specific areas of economy such as employment of casual labour, payment of overtime, fuel consumption, transit losses of coal and fuel oil, disposal of scrap and ash from depots and sheds and in working of ballast trains. The inventories are also being vigorously controlled. As a result of the implementation of scientific inventory control measures, the "balance to issue" ratios for the various zonal railways have been successfully brought down since the turn of the current decade despite heavy increases in stores transactions. This ratio was as high as 57 in 1971-72 and has been brought down during the subsequent four years to 50, 43, 35 and 33 (provisional), respectively.

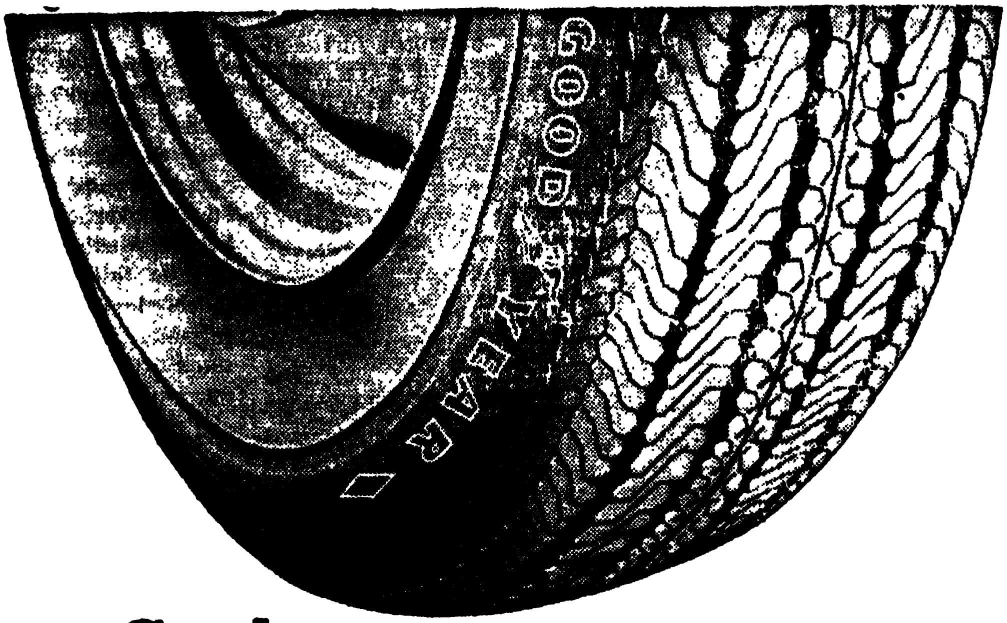
The indebtedness of railways to the general revenues which (according to the revised estimates for the last financial year) had aggregated by the end of March last to Rs 460.04 crores—both on account of the development fund, the revenue reserve fund — and was expected to go up by the end of this year (according to budget estimates) to Rs 491.5 crores, is envisaged to be contained at the last March-end level. This optimism apparently is based on the encouraging traffic trends this year. If this hope materialises, the earnings of railways this year should exceed the budget estimate by slightly over Rs 30 crores. It remains to be seen whether the entire extra earnings will be utilised for bringing down the indebtedness of railways to the general revenues or they will be made use of, to some extent at least, for developmental purposes.

Another heartening development about the finances of railways has been that the Railway Convention Committee has recommended examination at a high level, of the social burdens on railways and evolving of a practical financial arrangement to subsidise them keeping in view

Performance of Indian Railways in April-May 1976

Particulars	1975-76		(April-May)			
			1975		1976	
Passengers originating (in millions)						
Suburban	1,649.4		234.4		279.4	
Non-suburban	1,292.0		200.1		243.7	
Total	2,941.4		434.5		523.1	
	BG	**MG**	**BG**	**MG**	**BG**	**MG**
Av. daily loading revenue (in terms of 4-wheelers)	21633	5033	20701	4808	22532	5444
Wagon Kms. per wagon-day	76.8	56.5	72.1	55.1	82.1	60.1
NTKMs per wagon-day	977	537	1027*	551*	1143*	613*
Wagon turn-round (days)	13.2	11.5	13.5	12.5	13.0	11.0
Av. speed of all goods trains	18.8	14.9	18.0	15.0	19.9	14.8
Engine kms. per day per goods engine in use	223	172	207	171	241	181
Punctuality of Mail and Express Trains	87.1	86.6	72.3	74.4	93.8	93.5
Percentage of rolling stock under or awaiting repairs						
(a) Locomotives	15.70	15.20	16.30	15.90	15.10	14.90
(b) Passenger carriages	15.50	11.50	16.30	13.30	12.70	11.00
(c) Wagons (in terms of 4-wheelers)	4.43	4.36	4.50	4.92	4.20	4.26

*Based on train documents.



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the practice obtaining in this behalf in Britain, France, West Germany, etc. The financial effect of social burdens — which include suburban commuter services where 8 to 10 single journeys are charged in a season ticket for a month against about 50 journeys actually performed, losses on uneconomic branch lines and haulage of a number of commodities below cost — aggregated to as much as Rs 165.19 crores last year — Rs 122.92 crores on account of loss on coaching services (including the loss on uneconomic branch lines), Rs 41.67 crores on low-rated commodities and Rs 60 lakhs on account of freight concessions on relief measures such as carrying of essential commodities to flood/drought affected areas.

* *

With a view to obviating the recurrence of this year's experience on the edible oils front, when despite a bumper groundnuts crop, the prices of edible oils, particularly of groundnut oil, have gone up by over 50 per cent in about four months to July, the union government is contemplating going in for a national plan for these oils. The plan is envisaged to be drawn up every year around September, taking into consideration the production prospect of various oilseeds, the prices to be ensured to agriculturists, the anticipated requirements of the next twelve months, the pattern of these requirements, the likely exportable surpluses of high-priced oils against which low-priced oils may be imported and such other relevant factors. The export and import programmes would then be realistically drawn up.

The various interests concerned are proposed to be associated with this exercise. The first such plan is being thought of for the next year to be drawn up in the next two months.

Besides, the government is thinking in terms of having some captive vanaspati manufacturing units, the production from which can be used by it for distribution in the scarcity pockets in the country as well as for having an effective control over the distribution channels of this important cooking medium.

From the short-term point of view, a number of steps were announced by the government early last month to meet the situation created by the uptrend in the prices of various edible oils. These have been listed in the special feature on vanaspati industry included in this issue. After consultations with the civil supplies authorities of various state governments, the union government last week also decided that no state should impose formal or informal restrictions on the movement of edible oils. The states were asked to further intensify anti-hoarding measures. The licensing of dealers in edible oils has been suggested so that the stocks, movement and availability of edible oils, particularly groundnut oil, can be effectively monitored. The fixing of suitable limits for holding of stocks by dealers by the state governments is another measure that has been proposed.

The State Trading Corporation, it is learnt, has gone in for further imports of edible oils during the last few days. The total quantity contracted for imports is now stated to be 1,25,000 tonnes.

* * *

The union minister for Energy, Mr K.C. Pant, last week informed the members of the Parliamentary Consultative Committee attached to his ministry that the following were the broad outlines of the national energy policy approved by the government:

(i) to the extent practicable and economic, coal will be the principal source of energy and its exploration, exploitation and use will be planned accordingly;

(ii) production of oil will be maximized and impors reduced to the minimum — oil will be substituted, wherever technically and economically possible, by other fuels;

(iii) electricity production will be based on the use of water, coal and nuclear fuel and the growth of production should be adequate to meet demand, including demand arising out of the use of electricity in place of oil;

(iv) meeting of rural energy needs will be given high priority with a rapid increase in the use of bio-gas — the social forestry programme will be implemented effectively and alternative fuels to curb kerosene consumption will have to be found;

(v) the transport system will be studied so as to optimize energy and other resource inputs: the growth of the transport sector will be based on such a study;

(vi) conservation of energy will be given high priority;

(vii) the pricing of energy will be in a manner which gives an adequate return to the industry at a reasonable level of operating efficiency: the price mechanism will also be used to achieve the desired pattern of energy conservation; and

(viii) other non-conventional sources of energy like solar, geo-thermal and tidal sources, etc, will be developed with the highest priority for solar energy and bio-gas: the research and development programme relating to energy will be geared to the achievement of this objective.

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Incentives for non-resident Indians

Subhash J. Rele

Recently foreign exchange reserves of this country have been piling up because of increased remittances from Indians living abroad; the government has provided liberal incentives to them for investing in this country. The author reviews the various steps taken by the government in this regard and comes to the conclusion that the scheme of incentives needs to be extensively published among Indians living abroad.

MORE AND more attractive inducements to persuade Indian entrepreneurs and technologists who have so far preferred to stay abroad have been devised from time to time. This has been prompted by the recognition, though belated, that non-resident Indians could play a significant role in the industrial development of the country by bringing in the much-needed foreign exchange, technical skill and entrepreneurship, combined with their knowledge of the international market. Some of the incentives announced on August 1, 1975 have now been liberalised. For example, government had indicated that non-resident Indians seeking to invest in priority industries would get some concessions not available to foreign investors. But the government had placed a limit on such investment at 20 per cent of the share capital. Now the investment can be up to 70 per cent of the equity.

incentives package

The package of incentives recently offered is imaginative and well-conceived. It removes some of the procedural constraints hampering the inflow of capital. The recent decision to set up a cell under the union ministry of Industry and Civil Supplies to expeditiously deal with proposals for investment within the country is another step forward in the government's drive for attracting increased foreign exchange remittances from overseas Indians.

The most encouraging aspect of the economic situation today is the upswing of the exchange reserves. Mr A.C. George, minister of state for Industry and Civil Supplies, recently pointed out that but for the liberal scheme of remittance, India's foreign exchange situation would not have been as comfortable as it was today. Despite the enormous trade gap of Rs 1,165 crores in 1975-76, the country's foreign exchange reserves touched Rs 1,060 crores as on May 26, 1976 against Rs 500 crores in May 1975. He attributed the improved foreign exchange position to remittance by Indians abroad under the scheme which was launched in November 1975. In spite of the adverse balance of payment position, the foreign exchange resources had improved following the liberalisation of remittances by Indians abroad.

Remittances have now gone up from Rs 35 crores to Rs 100 crores per month.

POINT OF VIEW

India's record of achieving a negative rate of inflation last vear, the comfortable foreign exchange position and the bumper harvests have all added to the strengthening of the economy. Mr Pranab Kumar Mukherjee, union minister of state for Revenue and Banking who was recently on a South-east Asian tour and who took the opportunity of meeting people of Indian origin to acquaint them of the new investment opportunities in India, pointed out that his tour was a great success. He disclosed that the linking of the Indian rupee to a basket of currencies instead of the ailing pound and the resultant strengthening of the rupee had been welcomed by Indians abroad.

It is common knowledge that the non-resident (external) accounts designed in rupees were not formerly favoured by Indians abroad due to the fact that the rupee was a weak currency. The recent introduction of the Foreign Currency (non-resident) Accounts Scheme has also attracted foreign funds. By holding funds in these accounts the remitter not only earns the normal interest but also benefits from the appreciated value of the rupee. The total funds held in the non-resident accounts which stood at around Rs 50 crores as in August 1975 are on an average increasing at as high a rate as Rs 2 crores per month.

liberal terms

Non-resident Indians would now be allowed to make equity investment up to 74 per cent and without any limit in any of the industries included in Appendix I of the Industrial Licensing Policy Resolution announced in February 1973. When the scheme was originally announced there was criticism that the terms were not liberal enough to attract foreign exchange on a large scale. Some concessions were announced in the 1976-77 union budget and these were mainly directed to attracting investment in the small-scale sector and other industrial ventures. Again, under the original scheme, the non-residents were permitted to form a separate joint stock company but had to give an undertaking to progressively associate resident Indian participation up to at least 49 per cent within a period of five years. The liberalised scheme has brought down the figure of minimum Indian participation to 26 per cent.

Another noteworthy feature is the stipulation that investment can be made in industries not categorised as eligible for incentives provided the investors commit themselves to exporting 75 per cent of the output in the case of units in the small-scale sector or 60 per cent in other cases. The area of investment identified for the purpose has now been widened and covers such basic industries as metallurgical boilers and steam generating plants. prime movers, electrical equipment, industrial machinery, machine tools, industrial instruments, nitrogenous and phosphatic fertilisers, inorganic heavy chemicals, synthetic rubber, man-made fibres, industrial explosives, insecticides, drugs and pharmaceuticals, automobile tyres and tubes, ceramics and cement plants among others. All these are capital-intensive industries for which enough capital is not available in the country.

The patttern of equity holding has been diluted considerably and only an upper limit of 74 per cent has been laid down. The provision for this equity to be utilised for the import of equipment from abroad makes an important departure from the policy insisting that indigenous equipment should be used where available. In the event of the equity being invested for the purchase of indigenous equipment the investors have been assured of import replenishment facility. A far-reaching procedural change has been effected by laying down that clearance will not be required for importing foreign equipment to the extent of the value of the imported capital.

Perhaps the most attractive feature of the new scheme is free remittance of profits. Repatriation of capital will also be allowed after the unit has gone into commercial production, and subject to export obligation. This has been done on the basis of experience in banking where hardly everyone withdrew all the deposits at the same time though theoretically they could do so. In addition, exemption from wealth tax would also be available to such non-resident Indians who return to India with the intention of permanently settling in this country.

It is true that the scheme will take some time to gather momentum. At present, the bulk of the remittances from abroad comprise small savings sent to help families and relatives at home As long as the clandestine channels remain blocked and the value of the rupee appreciates, these remittances will keep coming. The initial reaction in some of the south-east Asian countries is positive. One is happy to know that some Indian firms in Hong Kong are seriously considering the investment of the provident fund dollars of their staff in hard currency accounts, yielding a 10 per cent interest. On the whole, the liberalised scheme makes sense though it would be too early to say to what extent it would attract investment from non-resident Indians. A lot would depend upon publicising the details of the scheme in foreign countries, and one must say that the government is doing all it can. A shift in government policy towards foreign investment is discernible from its readiness to consider the possibility of attracting investment by non-resident Indians to achieve the objective of diluting foreign equity in industries in our country. This, no doubt, is a healthy sign.

Rural banks and agricultural development-II

Dr. S. N. Bhattacharya

In this second part of the article (Part I appeared in *Eastern Economist* dated July 30, 1976) the author has discussed the various challenges which the rural banks are likely to face. He is of the view that the cooperatives are likely to benefit in the long run with the establishment and working of these banks. He has rightly emphasised the importance of imparting adequate training to rural bankers before pushing them into the rural areas.

The cooperative credit system[1] which was enjoying monopoly in agricultural finance till the end of the last decade, is going to face another challenge. For the time being, the newly started regional rural banks are only one more addition to the credit-hungry rural sector. However, it gives another opportunity for the cooperatives to think over their structural and operational policies.

It is a well-known fact that some of the co-operators were not very happy over the multi-agency approach adoped by the government in the wake of the "green revolution", for they felt that the commercial banks—the new entrants—may wean away a sizeable portion of their customers which would be detrimental to their interests. But this apprehension was later proved to be unfounded. Instead, it gave an added fillip to the cooperative credit system as may be observed from their progress during the last five years. The total amount of short and medium-term loans issued by the primary agricultural credit societies rose from Rs 504 crores in 1968-69 to Rs 815 crores in 1973-74—an increase of 62 per cent over the pre-bank nationalisation level. Similarly, the average amount of loans issued per society increased from Rs 33,313 to Rs 52,372 during the same period. The cooperatives may be said to have met about 35 per cent of the total production credit requirements and 65 per cent of the term credit estimated at Rs 2,000 crores each by the All-India Review Committee as on June 30, 1974.

Although the commercial banks have also begun to enjoy some of the privileges and protections in the field of agricultural credit system like the cooperatives, the latter continue to be under the aegies of the government even today. While the commercial banks are popular for their managerial and banking know-how, their ability to tap deposits and their access to the money market, they have not yet emerged as serious rivals to the cooperatives so far as the net-work and familiarity with the rural problems are concerned. The position of the newly-started regional rural banks is somewhat different. It appears that they are formed with 'plus points' of both the cooperatives and the commercial banks. In addition, they can avail of almost all the concessions and facilities which were hitherto the privileges of the co-operatives only. In other words, they are commercially organised, rural-oriented and government patronised. Therefore, it may appear that these banks are favourably placed vis-a-vis the cooperatives and can pose a real challenge when they are established all over the country with a large net-work of branches in the villages.

About the operational side, it has been

spelt out that the regional banks will be concentrating on small and marginal farmers, agricultural labourers, artisans and other allied so far neglected sections. In fact, the main justification for organising regional banks[2] stems from the reported allegation that the above sections are continuously neglected by the existing agencies. It may be said that according to the pattern of organisation and objectives, the primary agricultural credit societies, which are mainly meant for the agriculturists, are not expected to cater much for the needs of artisans and for consumption credit, especially when these banks are striving for want of funds to meet agricultural production credit requirements.

Although the regional rural banks are meant exclusively for the small and the marginal farmers, the cooperatives would continue to lend to these sections also who are their members. The lending rate of regional banks is also fixed on par[3] with that of the cooperatives. But there will not be any share capital qualification. The cooperatives now maintain a ratio of 1:10 between the share capital contribution and the borrowings, irrespective of the fact whether the borrower is a small farmer or not. To that extent, the loans from cooperatives, may be costly and the small farmer may find it unattractive especially when loans are available elsewhere without little difficulty.

mounting overdues

Cooperatives are under the pressure of mounting overdues which have had an adverse effect on the flow of fresh credit. However, the overdues to demand is gradually declining since 1971-72 with 36 per cent in 1973-74. The Regional Rural Banks which are being organised commercially, are expected to show better results in the recovery of loans than the cooperatives. This being the case, the farmers, who could not avail of the loans from the cooperative credit society, may turn to the rural banks for assistance.

From the above discussion, one may apprehend some challenges[4] from Regional Rural Banks to the cooperative credit societies because of the following: (a) such banks are commercially organised with perhaps trained staff, etc, which may help them better than those of the cooperative who are in most of the cases lack adequate trained staff, etc, to deliver the goods; (b) various facilities which have previously been enjoyed solely by cooperatives will now also be enjoyed by these banks; (c) these banks also would be rural-oriented; (d) these rural banks can easily sanction a loan by virtue of the powers delegated to the officers while only one-third of the primary credit agencies are having full-time paid employees and at the higher tiers viz, the district and the state cooperative banks employ professional people to man their offices.

limited power

Whatever may be the case, these officers do not have any powers to decide upon a loan application without the approval of the Board of Management which may meet only once or twice a month. This, alongwith others may cause considerable delay in disbursing a loan from a cooperative credit society. It may be noted that credit may not result in additional production unless it is sanctioned in time well in advance of the season; and (e) government's zeal to make these banks viable to really contribute to rural growth process.

Such challenges may be looked at from either of the following angles: the cooperatives may develop mental set-up which may be the source of inspiration to them in the sense that they will have to face keen competitions from other institutions/organisations in the years to come and they should face it squarely and adequately. They will have to face various challenges not to speak of these RRBs but also from other quarters such as various development agencies of the government (viz, ARC, etc,) which are existing and which may come in the years to come and thus they will have to show their worth, or, they may suffer from the complex that government is trying to reduce their scope of activities and hence, they may narrow down the nature and scope of their activities. When commercial banks extended their farm financing operations, it was also thought that their activities might be reduced in this field but the experience tells us a different story. So, it may be better for the cooperatives to rely more and more on the first alternative mentioned above for the reasons already stated. At the same time, one may like to point out that suitable guidelines are to be formulated at the earliest so that both can consider as a part of an organic whole which is the integrated rural development[5] in a systematic manner and at the earliest opportunity.

With the emergence of the Regional Rural Banks on the rural scene, the problem of avoiding competition and overlapping amongst the various institutions operating in the rural areas has assumed added urgency. Mr R. K. Talwar has pleaded[6] in the past that areas should be specifically allocated to the financing agencies on the basis of clusters of villages or allocation of cooperative societies operating in the area. The RRBs could be conducting their operations in two or more adjoining districts, where commercial banks and cooperatives may already be functioning. Allocation of areas as between the commercial banks and cooperatives is itself a problem. The emergence of a third institution in the shape of RRBs may take the problem more involved in as much as each of three institutional agencies should avoid duplicating and or cutting into the efforts of the other two.

role of cooperatives

According to Mr Talwar, the cooperative societies will have to be promoted and strengthened to act as effective intermediaries for the disbursement of credit on behalf of the commercial banks, the RRBs and the central cooperative banks. He[7] says. "The allocation of these societies among the three agencies needs to be undertaken in a purposive manner, and that this is a matter to be tackled urgently needs to be appreciated. As regards direct lending, the most convenient method seems to be the allocation of villages in such a way that no two agencies are allowed to operate in the same village. I am afraid the problem of overlapping has already arisen in the area of operation of some of the RRBs being served by branches of commercial banks; the problem becomes more acute when the commercial bank branch has been opened only for agricultural lending like an ADB in our Bank."

Above observations of Mr Talwar deserve careful consideration. In this connection the observations[8] of Dr Sharma, Ex-principal, Meerut College are worth mentioning. An important issue about their scope will be whether they will work under a unified control as the constituent units of an all India apex bank or they will be independent units. Centralised control will impart dynamism and momentum in the early stages, preventing wide variations in the quality of their performance. Decentralisation is desirable from the point of view of speed and promptness in disposing of business. At present they have been started as independent units to serve their respective areas. To avoid subordinating the long-term interests and to prevent them from becoming instruments of patronage and to avoid the problems of regional imbalances, an all-India institution is preferable, of which the 50 regional banks should be constituent units. Such an arrangement can facilitate coordination with cooperatives and commercial banks in an expeditious manner. A link with commercial banks will be necessary to meet the requirements of the necessary expertise, training facilities and funds. The nationalised bank can take a lead in organising them and in preparing the general plan as has been done in the case of setting up these banks so far".

urgent need

It is clear from the above that the urgent necessity of having adequate and systematic coordination among various financial institutions in particular and other development organisations/institutions—government or private in rural areas is being more and more felt particularly so with the introduction of another institution (RRBs) in the context of an integrated development strategy[9] in rural areas. The success or otherwise of these rural banks will depend to a great extent upon how far and to what extent we are in a position to answer to the urgent and important need of co-ordination.

The RRBs need qualified personnel to know precisely the rural problems, rural economy, culture, tradition and all that so that they are in a position to really serve the rural people. They need rural growth-oriented attitude and outlook in the sense that these banks have the primary objective to serve the neglected sector and to increase the farm income and output in such a way that the fruits of development reach the majority. Hence, two things are important: development as well as the sharing of the fruits of development by the majority. But how to integrate these twin objectives is a difficult and challenging task indeed.

regional centres

The observations of Dr Sharma[10] may be noted in this connection: "Regarding expertise, so far, the sponsoring bank has provided initiative, but reliance will have to be placed largely on the staff of the Reserve Bank, the ARC, the nationalised banks and the cooperatives. It would be however, desirable that regional training centres for staff should be organised, where one year's training in banking and accounting methods and procedures should be given and short-term courses at different levels arranged for the staff of these banks. The RRBs should be purveyers of all kinds of rural credit. They should preferably function as constituent units of an all-India institution. They should not be subsidiary to the existing institutions."

By and large, two types of surpluses could be considered: (a) the output surplus; and (b) the input surplus. When we speak of the rural surplus, we need not necessarily consider the farm surplus alone, because, in the rural sector the non-farm activities are also carried on. However, for the present article, we will confine ourselves to farm surplus.

One may consider three types of rural output surpluses: (a) technological surplus or the production surplus; which is the excess of physical output over physical input; (c) financial surplus; and (c) the marketable surplus.

One may note that for the purpose of mobilisation of the surplus, the latter two types of surpluses may appear to be more relevant. The marketable surplus has to be measured as the difference between the rural output and the sectoral retentions. It was felt that a distinction should be made between the marketed surplus, an export concept, and marketable surplus, an ex-ante concept, and the factors causing the divergence between the two should be identified. The main factor causing the divergence is the error in expectations about both the output and retentions. Price changes also played a big role in this connection. Productwise estimation of the marketable surplus was much more meaningful than the aggregate surplus of all agricultural crops. While determining the marketable surplus one should find out how far retentions reflected the genuine needs of the farmers.[11] The needs might be both consumption needs and production needs. Care is to be taken to separate holdings, so that genuine needs only are considered. It may also be noted that distress sale does not indicate the existence of a marketable surplus.

While measuring the financial surplus defined as the excess of income over expenditures, one should take care that the borrowings of the farmers are not counted as income. The balance sheet approach may be fruitfully used in measuring the financial surplus. Even though there are problems of choice of the right type of prices for valuing inputs this may not be considered to be difficult problem in the case of valuation of output, as the harvest period prices may be used.

estimating surplus

For estimating both the marketable surplus and the financial surplus it is necessary to specify the reference period. In the case of the estimation of average annual marketable surplus in particular it may be advantageous to take the average of the output and retentions for a period of three to five years so as to even out the larger retentions in some years and smaller retention in other years.

The magnitude of the surplus may depend upon the system of payment to the factors of production, particularly labour. If wages are paid in kind, perhaps, the magnitude of the marketable surplus may be reduced, without an equivalent reduction on the demand side.

In any deterministic surplus function model, the following determinants may be considered: (a) size of holdings; (b) the price factor; (c) educational level of farmers; (d) institutional agencies; and (e) technology.

The role of rural banks should be recognised in augmenting the rural surpluses. It may be argued that the establishment of a strong institutional base may consist of marketing institutions, the institutions providing credit facilities, the institutions providing the storage and transport facilities, etc. Rural banks may be able to give an impetus to the surplus generation in the rural sector in the country. Providing the necessary finance, these rural banks may help to contribute to rural incomes and farm output.

But in order to contribute significantly to the generation of surplus in the farm sector, these banks need sound farm financing strategy which we have discussed already. It may be emphasised here that in most of the cases due to lack of co-ordination, suitable farm-financing strategy, etc., rural banks' role to contribute to the generation of surplus in the farm sector perhaps, leaves much to be desired.[12]

It is important to identify the crucial factors which inhibit small farms from exploiting the possibilities whether under traditional or new technology. It may be recognised that the complex nature of the problem in as much as the small farmer has to operate under economic, technical and institutional handicaps. The limited availability of the essential resources of irrigation and working capital, the gaps in the knowledge about the management of the modern inputs and the traditional nexus of tenurial, marketing and credit arrangements still operating in the subsistence sub-sector of Indian agriculture are serious disabilities of the small cultivator, not to mention his inadequate land base.

three-pronged approach

In view of the above, it may be argued that for transforming the potentially viable farms into economically viable units, it may be necessary to have a three-pronged approach comprising the measures aimed at: (i) the enhancement of the productive efficiency of the available land-base via the provision of non-land production inputs; (ii) the integrated development of subsidiary activities linked with crop husbandry; and (iii) the augmentation of the land base through a speedy implementation of the ceiling legislation and the land redistribution programme.

It may be recognised that whether it is a phenomenon of limited availability of water or one of lack of sufficient perception about the elements of new technology, the underlying constraint is that of capital. True, the shortage of capital on the small farms is itself attributable, in the ultimate analysis, to the diseconomies of the tiny and fragmented land base. Given the fundamental role of capital[13] in the economic betterment of the small farms and considering the virtual absence of investible surpluses on these farms—not to mention the process of disinvestment taking place on a large number of non-viable farms—it may be imperative to ensure the timely provision of adequate production credit to these farms on liberalised and concessional terms.

crucial role

Here comes in the crucial role of the rural banks to provide the small farmers with the same but there are certain problems to be tackled. To what extent these banks are in a position to extend concessions and facilities to them? How to make a balance between economic and social goals? What guidelines should be followed so that they are in a position to integrate both economic and social goals? To what extent such guidelines would be adequate considering various conflicting forces in the rural sector? These and various other questions the rural banker should keep at the back of his mind in extending adequate and reasonable credit to the small farms without sacrificing altogether the economic interest. The task is a challenging indeed but the rural banker will have to find an answer to all questions in the years to come to prove his worth.

One may make the following observations which may change if more extensive data, information etc, become available:

(1) Indian agriculture is now undergoing unprecedented changes which are both quantitative and qualitative. The priority which agriculture has been enjoying in our national planning has not been altogether consistent. However, in the fifth Plan period, the emphasis on agriculture is still being continued.

new strategy

(2) The success of agricultural development in our country depends to a great extent upon the way the "New strategy" in agriculture (such a strategy aims at increasing per unit of land productivity through intensive manner of cultivation following modern and scientific methods of cultivation and with improved seeds, irrigation, implements, manure, fertilisers, etc, in the quickest possible time and in the best possible manner) operates in the years to come.

(3) One of the problems with the aforesaid "New strategy" is how to extend the scope of its activities to cover the majority of the rural people[14] and the majority of our rural areas. One of the constraining forces appears to be lack of adequate credit. Moreover, whatever credit is available, a significant portion of the same in most cases goes to the very few well-to-do farmers who are becoming richer and the poor poorer.

(4) It appears that existing financial institutions (including rural branches of commercial banks) have not significantly covered the credit gap of the growing farm sector particularly so with the small and marginal farmers. Therefore, the necessity of rural growth-oriented banks in selected rural areas is being increasingly felt.

(5) These banks have a challenging and dynamic role to play along with other development organisations in the countryside to enrich prosperity through increased farm income and output and by linking a significant portion of the surplus so generated in the process with fruitful industrial enterprises to integrate both capacity as well as income generating aspects in the growing farm sector in their respective areas of operation.

(6) These banks need a sound strategy of agricultural finance which links temporary needs (consumption as well as production) with self-sustaining integrated overall growth strategy of the area. This needs co-ordination in three phases: (a) at the time of assessing and estimating the demand for farm finance — short,

medium and long term; (b) at the time of disbursing to those who are provided with loans following adequate and sound guidelines and criteria; and (c) at the time of follow-up measures to see how far and to what extent loans advanced are properly utilised and accordingly, to know where the shoe pinches ultimately to tackle various bottlenecks through suitable strategies. Some of the factors which such a sound strategy should consider have been stated earlier and hence, they are not repeated here. It may be added here that these banks should anticipate more and more of other fruitful factors to be considered for formulating a suitable growth-oriented agricultural finance strategy and in that respect, a dynamic role of these banks have been very rightly assumed.

(7) Due to the introduction of RRBs in the rural scene, the cooperatives may face some challenges from these banks and some of these challenges have been discussed earlier. It has been suggested that the cooperatives should face the challenges squarely and they may be benefited in the long-run through the working of these banks. So, instead of standing in their way, it may be helpful to them in their road to progress.

coordinating activities

(8) The problem of overlapping with regard to the activities of various financial and development agencies in the rural area is largely there. Therefore, the urgent necessity of coordination of the activities of these organisations/institutions — Government or private — has been greatly emphasised. Here, we have also carefully examined the suggestion of Mr R.K. Talwar, chairman, State Bank of India to use co-operatives as intermediaries to canalise farm credit of regional rural banks, commercial banks and the central cooperative banks. The observations of Dr Sharma, ex-principal, Meerut college are also noted in this connection. It has been observed that these rural banks depend for their success to a great extent upon our ability to co-ordinate effectively the activities of various financial institutions and other institutions and organisations in the rural areas in the context of integrated growth strategy.

(9) It has been adequately stressed that systematic and meaningful training is required for the personnel of these banks with special and adequate emphasis on rural-orientation as they are expected to find an answer to one of the most-intricate problems of rural development viz rural indebtedness, along with other institutions/organisations connected with the task of rural development.

(10) These banks need adequate and meaningful participation and involvement in the sphere of growth-oriented rural activities specially related to their sphere of activities and mainly through increased farm income.

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Eastern Economist 30 Years Ago

AUGUST 9, 1946

The Policy Committee on Agriculture, Forestry and Fisheries had recommended to Government that growers be guaranteed an assured market at a remunerative price and that a committee be appointed to consider how such an assured market could be secured and a remunerative price fixed. The Government appointed a sub-committee sometime in December 1944 to consider the principles on which producers' prices of food (including the products of animal husbandry) and commercial crops should be fixed and the means by which they could be made effective and as assured market provided. The Committee was requested to consider two different types of conditions in making its recommendations : (1) The immediate post-war period in which the Government retains substantially the same amount of control, economic and physical (2) The later post-war period characterized by a gradual relaxation of these controls ending in unfettered resumption of normal marketing.

The very appointment of the Committee and several happenings at home and abroad prove that the restoration of the status quo ante bellum —unfettered marketing in the pre-war sense—is an impossibility. The Government has accepted the principle of a fixed remunerative price and has also in principle guaranteed an assured market. The Committee was simply asked to consider the means. Its report, not yet formally published, has been widely reported in the press. It is unfortunate that although several weeks have elapsed since the unauthenticated version appeared in the press, the Government have taken no steps to expedite its publication.

WINDOW ON THE WORLD

Out in the cold

Ben D'Souza

Why is it that low-cost housing programmes in the Third World so often end up subsidising the better-off people? Ben D'Souza, based in New Delhi, writes on the alarming gulf between the poor and those who plan for them.

FACED WITH mounting problems of slums and shanty towns, many Third World governments have launched crash programmes to build subsidised low-cost housing for the poor. In India, for example, public housing programmes cost $550 million in the five years up to 1974. Yet in India, as in most nations of the developing world, most of the subsidised low-cost houses are now being bought by the better-off sections of the community — and the poor are being left out in the cold.

World Bank figures for five cities — Madras, Ahmedabad, Nairobi, Mexico City and Bogota — show that the cheapest public housing now being built is too expensive for all but the richest 30 per cent to 50 per cent of the urban population.

These figures are based on the assumption that people can afford to spend 15 per cent of their income on housing. It is a generous assumption. The poorest people in most developing countries probably spend three-quarters of thier income on food alone. The rest have to pay for fuel, clothing, education, medical care and household necessities, leaving only about six per cent to 10 per cent for housing. On this more realistic basis, an even smaller percentage of a developing nation's people can afford to buy the subsidised 'low-cost' housing. For the city of Ahmedabad, for example, it means that the subsidised housing programme is catering only for the richest 15 per cent of the people. A recent survey of several housing projects in northern India confirm that out of every ten houses being built for the poor, between seven and nine are actually being bought by the better-off.

Yet most public housing agencies have the genuine aim of building houses for the very poor. What is going wrong?

A scene in my own office, just a few days ago, provides an illustration of what is going wrong. The Chief Administrator of one of India's largest cities looked at a chart on my wall which showed just how little a family living on less than £20 a month could afford to spend on housing. "But who can possibly earn less than £20 a month nowadays?" He asked, "Hardly anyone in our urban areas, surely."

The fact of the matter is that less than fifteen out of every hundred families in India's towns and cities have more than £20 a month to live on. That means only 55,000 families in this particular Chief Administrator's city of 350,000 families. And of the remaining 295,000 families, almost half have less than £10 a month coming in.

The Administrator's question reveals what is wrong -- the gulf between the poor and those who plan for them. The planners, architects, engineers and administrators belong almost exclusively to the middle and upper classes. They seldom know just how numerous and how poor the poor really are. In consequence, they base their plans on *their* idea of a house and *their* idea of what proportion of the people can spend what proportion of their income on housing. They often assume, for example, that the poor can afford to spend one quarter or even one third of their income on buying a home.

But in practice a family living on £20 a month can barely afford £2 a month for shelter. Even with a 20 year hire-purchase scheme, and even with a subsidised interest rate of five per cent, this means that the maximum cost of a home which the majority of the population can afford is £300.

facing the reality

Faced with this reality, most planners and architects throw-up their hands in helplessness and say that you cannot build a decent house fit for humun beings to live in for £300. The bricks and the cement and the steel are too expensive; the house has to stand for a hundred years; it has to provide privacy for all its occupants; it has to meet standards and bye-laws laid down for the benefit and protection of its occupants.

In practice these norms and standards, drawn up to protect the people's welfare, are actually operating against the welfare of the poorest majority by preventing the building of the kind of homes which they can afford. So houses which conform to these middle-class standards of what a house should be, continue to be built and continue to be bought by the better-off people who alone can afford them. What can be done?

Again, a recent episode in India provides a clue to what can be done. Last year's disastrous floods destroyed 2000 poor people's houses in just one state. Three months later, before any of the housing agencies had really moved, most of the flood victims had fashioned new homes for themselves out of whatever materials they could find or buy. One of the flood victims, Raj Kumar and his family, built a mud and thatch house for themselves without the help of architects or engineers. Raj Kumar told me that the materials and the carpentry had cost him £30. Today, another three months later, the public housing authorities are starting to build well-appointed up-to-standard houses for £450 to help those who, unlike Raj Kumar, could not afford the £30 for the material to build their own homes, who will finally buy those houses?

Left entirely alone and without help, the poor in the slums and shanty towns of the developing world fend for themselves with remarkable success. Only by building on this self-help can the 'urban-blight' of millions of squalid slum-dwellings be solved.

With the major part of their populations concentrated at the lower extreme of the income scale, it is idle for the developing countries to carry on the pretence of providing them all with 'decent dwellings', as defined by planners, at prices which they can afford. There is no realistic alternative to the legitimising of the shanty towns themselves.

As some planners are now realising, the way forward lies in environmental improvement for the shanty-towsn: the provision of accessible clean water; hygienic sanitation and surface drainage; garbage clearance arrangements, and other basic community amenities. The settlers and squatters themselves will do the rest if they are assured that their tenure is secure and if they are given the encouragement and help they deserve. Selling them small plots of land and perhaps the basic skeletons of houses which they themselves will complete, is the only way to help create thousands upon thousands of 'new' homes on a government subsidy of only £200 or £300 instead of ten times as much. In many cases, no subsidy at all will be needed. Incentive is all.

Initially, the settlers will complete their houses with whatever material they can lay their hands on. If it is their house, created by them in their own way, they will eventually improve it as their own circumstances improve. They will not look as tidy and photogenic and prestigious as the smart new estates envisaged by most of today's planners. Yet, the only way of drastically improving the living conditions for millions in the slums of the Third World is to build on the self-help and ingenuity of the slum-dwellers themselves. And it will call for a drastic revision not only of present norms and building codes but of 'our' notion of what a 'house' really is.

Intermediate technology

Paul Harrison

A group of researchers—Dr. Schumacher of Britain is one of them—believes that advanced technology is not relevant to the developing countries and what they need is an intermediate technology (or appropriate technology) which fits in with their level of development. The aim of intermediate technology is to create many more additional jobs because unemployment in all poor countries is very high. The critics of this thesis feel that it is an attempt by the developed countries to withhold the very best technology available with them. The author concludes that intermediate technology has been proved to be economical both in money terms and in social costs in the developing countries.

DURING MOST of the 1960s development for the Third World meant rapid industrialisation. Importing advanced technology and building big factories in the cities would produce fast growth and enable the products of developing countries to compete on world markets—or so it was hoped. Only in recent years did doubts begin to arise, as the poor became poorer and rural masses left the land for the cities, where they found massive unemployment.

Could it be that the advanced technology, used in the wrong circumstances, was actually worsening the situation? If so, what can be done about it?

The ILO's World Employment Conference recently pondered over these questions, which have been also preoccupying many researchers. Among them is Dr Ernst Schumacher, the founder of the London-based Intermediate Technology Development Group.

Dr Schumacher, now 65, saw the nature of the problem more than 20 years ago when he was economic adviser to the Burmese government. "The three great evils the Third World suffers from are mass unemployment, mass migration to the cities, and hunger," he says. Ernst Schumacher believes that western industrial technology was designed for societies where capital is plentiful and labour scarce, and is therefore often quite inappropriate for the Third World, where there is too much labour and not enough capital.

The result of introducing big capital-intensive industry in the cities of the developing world has often been to make the products of traditional craftsmen, such as weavers, potters or blacksmiths, uncompetitive in price and in quality. One factory may employ a hundred fortunate workers, yet ruin the livelihoods of thousands of others. "The result of unbalanced development of this kind," Dr Schumacher says, "is that a fortunate minority has had its fortunes greatly increased, while those who really need help are left more helpless than before. Nothing succeeds like success, and nothing fails like failure."

The answer could lie in "intermediate technology," a term Dr Schumacher coined. It is called "intermediate" because it is halfway between traditional and advanced technology; it is designed to be much more productive than the first, but much cheaper to introduce than the second. Its cheapness means that many more jobs can be created for the same cost. The aim of intermediate technology is to create millions of jobs, not in the cities, but in the areas where most people are living now—that is, in the Third World's two million villages. Production methods must be efficient, but simple, so they can easily be mastered by the relatively unskilled workers of rural areas. And wherever possible, local materials are used to save on import and transport costs.

With these goals in mind, the Intermediate Technology Development Group (ITDG) has been searching out cheap but effective technologies. Some of them have had to be developed from scratch—others were already being used in one country but were not known elsewhere. Through its lists of techniques and its journal *Appropriate Technology*, the ITDG has originated or publicised hundreds of simple devices and machines, from grinding stones to entire mini-factories, in all fields from energy to building materials, from farming techniques to ways of storing water. And, through its consultancy and project services, it has helped to install these devices in the field.

One important invention the group has publicised is the animal power gear unit, which harnesses the strength of draught animals such as bullocks to drive other machines. Two animals turn a long beam around a central gear unit, which transforms their slow movement into as many as 135 rotations per minute: a shaft led out from this central unit can drive threshers, oil presses, grinding mills or whatever. And all the metal parts can be rough cast from scrap iron by any village blacksmith.

Building methods and materials have been a rich source of ideas from the group: advanced methods are often too expensive to produce a house that people can afford, and cement adds to import bills. Techniques have been devised for making building panels out of compressed wheat or rice straw, and even for building quite stable houses out of thousands of used tin cans covered in tarmac sheeting.

Intermediate technology can bring prosperity to impoverished rural areas, it can increase the productivity of labour, improve incomes and spending power, stimulate local small industry and save scarce foreign exchange by replacing imports. In spite of these advantages, intermediate technology has aroused hostility. Some critics say that it is an attempt to impose inferior or outdated techniques on the Third World, and to withhold the very best available.

Dr Schumacher replies that it is usually only the new rich elites who raise these arguments, because they are the one who profit from big industry. Another argument is that more capital-intensive techniques produce greater output and therefore speed up economic growth. Dr Schumacher points out that plants which are highly productive in theory may, in practice, often stand idle or under-used because of shortages of skilled labour and management or spare parts from abroad.

But doubts like these are now less common. More and more governments, and international agencies such as the International Labour Organisation, are placing increasing emphasis on the use of intermediate technology in the Third World, where it is clearly shown to be economical both in money terms and in social costs.

Indonesia and the oil boom

Arvind Bhandari

The production of crude oil in Indonesia rose from 6.45 million tonnes in 1950 to 71.50 million tonnes in 1974. With steep rise in the price of oil since the last quarter of 1974, the Indonesian economy has acquired substantial import surpluses which are being used for strengthening the economic base. In this context, the author is of the view that there is a possibility of increasing India's exports to Indonesia. The political climate has also been improved by recent trips to Indonesia by the president, Mr Fakhruddin Ali Ahmed and the Foreign minister, Mr Y. B. Chavan.

THE TALKS recently held by the Indian delegation in Jakarta under the leadership of Mr Y.B. Chavan, External Affairs minister, are the seventh bilateral ministerial-level parleys between India and Indonesia since the dissolution of the Peking-Jakarta-Pindi axis following President Suharto's takeover in 1966. It is to be hoped that economic cooperation between the two countries will increase since relations have been improving over the last two years.

India has always had a favourable balance of trade with Indonesia. Whereas India's exports in 1970-71, 1971-72 and 1972-73 were Rs 4.09 crores, Rs 3.21 crores and Rs 5.30 crores, respectively, her imports in the corresponding years were Rs 25 lakhs, Rs 17 lakhs and Rs 27 lakhs. The main items of export from India have been transport equipment, iron and steel, synthetic textiles, machinery and sugar. Imports from Indonesia include essential oils, crude vegetable materials and spices.

It is noteworty that Indian exports to Indonesia in 1974-75 (last year's figure is still under compilation) jumped to Rs 50.09 crores, a nearly ten-fold increase over the 1972-73 performance. This is explainable in terms of the boost received by the Indonesian economy following off-shore oil strikes. The boost meant more imports, for Indonesia is still an import-oriented economy which has yet to establish its industrial infrastructure. But exports of Rs. 50.09 crores are less than two per cent of India's total exports of over Rs 3000 crores in 1974-75.

Efforts are being made to promote joint ventures in Indonesia between Indian and Indonesian firms. About a dozen joint ventures have been sanctioned since 1973. Of these four are in production manufacturing synthetic fibre, engineering items and scooters and three-wheelers. The remaining are in various stages of implementation. These will manufacture textiles, engineering goods, water meters, oilseeds solvent extraction, art paper, steel furniture and malleable iron pipes.

Political relations inevitably affect economic relations. Barring the days of

Nehru-Sukarno friendship in the early fifties, relations between the two countries have followed a zig-zag course. After the 1965 anti-communist coup, Indonesia, veering towards the United States, began to see the spectre of monolithic communism in south-east Asia despite the Sino-Soviet split and Hanoi's inclination to be independent of both Moscow and Peking. Indonesia was therefore unable to appreciate India's opposition to the Vietnam war as well as strengthening of the Indo-Soviet friendship. But now Indo-Indonesian relations are improving. Indonesia has begun to show realism, as is evident from her willingness to have ties with the newly-emergent communist regimes in Indo-China. Moreover, both India and Indonesia have tried to see each other's point of view, as indicated by the vist of President Fakhruddin Ali Ahmed to Indonesia in June 1975 and the talks of the Indonesian Foreign Minister, Dr Adam Malik, in New Delhi two months later. India and Indonesia have agreed to cooperate in regard to ASEAN and the forthcoming non-aligned conference.

considerable scope

Greater political understanding should lead to wider economic contacts, for which there is considerable scope. Because of lack of an industrial base, Indonesia follows a comparatively liberal import policy. Indian exporters have not been able to make full use of this. Indonesian importers generally do not give a bank guarantee and this is a handicap to Indian exporters, who sometimes use outside firms based in Singapore or Hongkong. With regard to deferred payment, the Reserve Bank of India is said to be prepared to grant clearance on a case by case basis if creditworthiness of Indonesian importers is assured.

India can help Indonesia to meet her requirements of machinery. With oil giving a boost to the Indonesian economy, the Suharto government now wants to make up the leeway in industry. India can supply machinery for sugar, textiles and cement mills. As for joint industrial ventures, one problem is that Indian capabilities do not seem to be so well-known in that country. Secondly, there is the inability of the Indonesian entrepreneur to make a commensurate contribution. As the supply of Indian technical know-how to Indonesia increases, both these problems should lessen.

Indonesia is in the midst of its second five-year plan (the first one ended on March 31, 1974) which has an outlay of Rs 9,600 crores. Improvement in irrigation to attain self-sufficiency in paddy production and exploitation of the country's hitherto untapped mineral resources have been given priority in the plan.

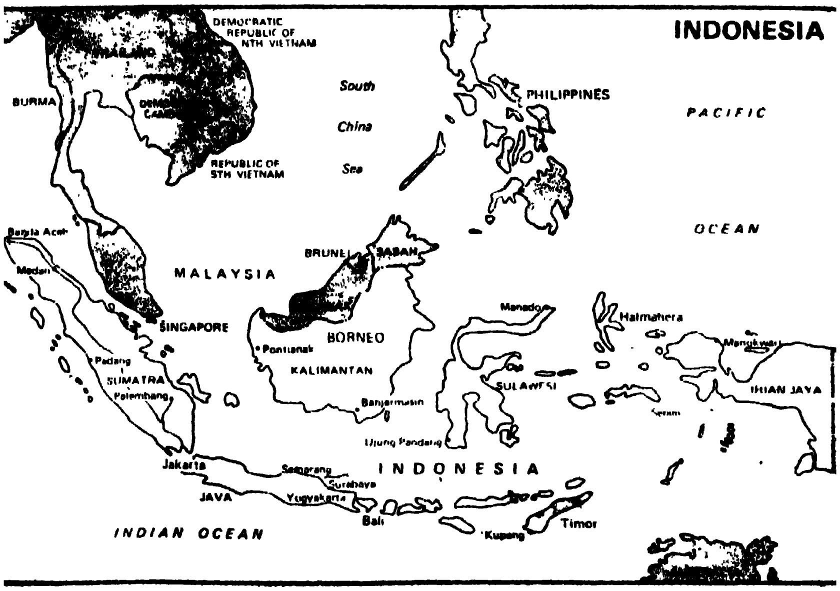
oil boom

Oil is becoming the bulwark of the Indonesian economy. Production of crude rose from 6.45 million tonnes in 1950 to 71.50 million tonnes in 1974, a more than tenfold increase. A member of OPEC, Indonesia is today the world's eighth largest producer of oil. Almost all of her oil is now underwritten to Japan.

Of her 130 million people, nearly 75 per cent live in the countryside. Agriculture contributes 40 per cent of Indonesia's GNP, the main crops being paddy, maize, sweet potato, cassava, soybeans and groundnut. Paddy constitutes one-third of the agricultural production. The World Bank has given Indonesia two big loans for the development of her agriculture. One loan of 33 million dollars is for irrigation projects, primarily to increase paddy yields on about 100,000 hectares in Java and Sulawesi. The other loan of 22 million dollars is intended for promotion of agriculture extension services in nine provinces. It will cover 12.8 million farm families cultivating 7.3 million hectares. Both the loans are for 25 years.

Another big loan received by Indonesia is from the Asian Development Bank, which has given $ 20 million for improvement of road communications in the country. Indonesia has also been receiving aid from the Aid-Indonesia Consortium of "IGGI countries".

Despite its oil-backed boom, Indonesian economy is beset with problems. The country has experienced one of the highest rates of inflation in the world. The recent Pertamina scandal involving misuse of funds to the tune of 6 to 10 billion dollars by the state-owned gigantic oil corporation shook the nation, leading to an open clash between the Finance minister and the generals. There has been repetitive criticism of the business interests of the Suharto family members in Chinese-controlled enterprises. Dissensions between different power groups have been growing. Nevertheless, India would do well to remember two important points. In the years to come, she will have to do business with Suharto, who is very much in command. His



personal sincerity is generally recognized; he is regarded as a balancing factor between extreme right and radical groups; he is accepted by the armed forces, which continue to be in *de facto* control of the country. The second point is that Indonesia, despite her economic ills, constitutes the biggest market in south-east Asia.

Five years of Indo-Soviet treaty

V. N. Koptevsky

The treaty of peace, friendship and cooperation between India and the USSR was signed five years ago. The author takes this opportunity to review the gains of mutual cooperation in the economic field.

THE TREATY of Peace, Friendship and Cooperation between the USSR and India is an outstanding event in the history of relations between the two countries. Time and persistent efforts of statesmen in both countries had been required before it became possible to say that now "the Soviet-Indian relations develop in an atmosphere of complete mutual understanding and trust".

A truly outstanding contribution to the development and strengthening of friendly relations between the peoples of the two countries was made by a great statesman of India and a big friend of the Soviet Union, the late Jawaharlal Nehru. In 1927 he wrote a book "The Soviet Russia" wherein he expressed his impressions of the first trip to the Soviet Union and his participation in the celebration of the tenth anniversary of October Revolution. In this book he underlined that "Russia is interesting for us because it can help us to solve the problems which now face the world. It is particularly interesting for us because the conditions which existed in Russia, did not differ much from those in India".

economic cooperation

After gaining political independence there opened wide prospects for the development of Soviet-Indian relations. The late Jawaharlal Nehru attached special importance to the development of economic cooperation with the USSR and other socialist countries. There is every reason to say that he was the founder of economic cooperation between the two countries.

Article VI of the Treaty attaching great importance to economic, scientific and technological cooperation between the USSR and India, says that, both countries will continue to consolidate and expand mutually beneficial and comprehensive cooperation in these fields.

For more than 21 years, the Soviet Union has been rendering considerable assistance to India in attaining the national aim of fast economic development. The scope of this cooperation has been growing every year and it now embraces key industries in the public sector of the economy.

joint ventures

At present, about 80 industrial and other projects have been completed or are being completed under the programme of Soviet-Indian economic cooperation. Dozens of these have already been commissioned. It is worth mentioning that these are mainly big modern plants in metallurgy, oil extraction and refining, coal industry, power, heavy machine building industry and instrumentation.

During the five years since the Treaty was signed, the Soviet-Indian economic ties have been further strengthened. The process of economic cooperation was hastened by the establishment in 1972 of the Inter-governmental Soviet-Indian Commission on Economic, Scientific and Technical Cooperation, the signing by Mrs Indira Gandhi and Mr L. Brezhnev of the Agreement on Further Development of Economic and Trade Cooperation in November, 1973, and finally the recent visit of Mrs Gandhi to Moscow and the signing of the Joint Declaration on the Further Development of Friendship and Cooperation between the two countries.

Both the countries have agreed to further cooperate in the field of industry, power generation, geological survey, training of personnel, expansion of trade as well as in other branches of national economies in which indigeneous economic preconditions offer favourable opportunities for rapid progress. It aims at studying the possibilities of development of economies of the two countries, and exchange and utilization of modern technical and technological achievements on mutually favourable terms.

The two countries have pledged for the strengthening of ties existing between them in the field of scientific and technical cooperation, including fundamental research, applied sciences and technology, medicine, agriculture and other fields. A new chapter has been added to scientific and technological collaboration between the two countries with the launching of India's first artificial earth satellite *Aryabhata* into orbit by a Soviet launcher from the Soviet territory and the conclusion of another agreement for the launching of the second Indian statellite. The two countries also welcome the development of Soviet-Indian ties in the spheres of science, culture, art, literature, education, health, mass media, tourism and sport.

new impetus

New impetus has been given to the cooperation of the two countries in the field of metallurgy, coal mining and oil extraction and refining industries. Technical documentation is being prepared by the Soviet and Indian specialists for the expansion of the Bhilai and Bokaro steel plants. A feasibility report is being worked out for the further expansion of these plants to seven and 10 million tonnes of steel per year, respectively.

In the field of non-ferrous metallurgy a project report has been prepared for the construction of Malanjkhand copper enrichment plant and a possibility is being considered for the construction, with the

assistance of the USSR, of alumina plant in Orissa.

Considerable progress has been made in fuel industries. With the assistance of the USSR vast prospecting for coal deposits has been carried out in Singrauli, Raniganj and Ramgarh and a number of big coal projects are planned to be undertaken there. At present, the Soviet organisations are finishing the preparation of projects reports for two coal quarries in Singrauli and Ramgarh, a coal mine in Raniganj and a mechanical workshop for the construction and repair of coal-mining equipment.

The USSR is rendering assistance in the construction of India's biggest oil refinery in Mathura with a capacity of six million tonnes of crude oil per year. The specialists of the two countries have studied the prospects of oil deposits in India and have worked out concrete measures for intensifying exploration and boring works and providing the Oil and Natural Gas Commission with the necessary equipment and materials.

Good results have been attained in organising joint cooperation in third countries. By now, several contracts have been concluded for the supply of equipment from India for the Soviet-assisted projects in Yugoslavia, Bulgaria and Cuba.

From year to year the industrial enterprises built with the assistance of the USSR are perfecting their production activities. Such projects, among them, as Bhilai steel plant, Koyali and Barauni refineries, Oil and Natural Gas Commission, Pharmaceutical Plant in Hyderabad, Heavy Machine Building plant in Ranchi and many others are the leading and highly profitable enterprises of the public sector. For the last five years the Soviet-assisted projects produced more than 10 million tonnes of steel, extracted about 20 and refined 30 million tonnes of oil, manufactured more than 250 thousand tonnes of metallurgical and coal-mining equipment. Besides, there was an increase in power generation and manufacture of power generation equipment to a total capacity of 5400 MW. This assistance made a substantial contribution to India's economy, saving considerable amount of foreign exchange.

The Soviet assistance is directed towards basic industrial complex attuned to India's need for self-sufficiency. It also implies assistance for the development of ancillary industries. Besides that, economic agreements with the Soviet Union have been package deals and, therefore, they are integrated, planned and composite and cover all stages of development and production. The assistance is rendered on a long-term basis interlinked with the development plans, and is mostly in the form of loans extended at favourable terms, the repayment of which does not involve any foreign exchange. The value of the loans is calculated on the basis of Indian rupee and the Soviet Union purchases commodities produced in India with that amount. The purchases are planned through bilateral trade agreements. More Soviet credit means bigger volumes of Indian commodities in Soviet market. The supply of commodities is jointly planned and covers both traditional and non-traditional items.

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An overview of land reform

Changing Agrarian Relations in India: National Institute of Community Development, Hyderabad; Pp 196; Price Rs 45.

Economic Feasibility of an Asian Common Market: Trilok N. Sindhwani; Pp 230; Price Rs 50.

Pulses—An Analysis of Demand and Supply in India 1951-1971; Kusum Chopra and Gurushri Swamy; Sterling Publishers Pvt Ltd, New Delhi; Pp 132; Price Rs 30.

Productivity, Wages and Industrial Relations: G. K. Suri; Affiliated East-West Pvt Ltd; Pp 144; Price Rs 38.

The Economic Life of a Bengal District: J.C. Jack; AGAM Prakashan, Delhi; Pp 158; Price Rs 40.

Financial Institutions of India: Edited by Vadilal Dagli: Vora & Co, Publishers Pvt Ltd, Bombay; Pp 338; Price Rs 40.

The seminar on 'Changing Agrarian Relations in India' convened by the National Institute of Community Development was held in April 1974. *Changing Agrarian Relations in India* contains the papere presented at the seminar as also the proceedings there.

It is well-known that land constitutes the main productive resource in India. And yet the per capita availability of agricultural land in India is only about 0.36 hectares compared with 0·65 hec in Burma, 2.24 hec in the USA and 42 hec in Australia. Naturally owing to the pressure of population on land in India, the problem of distribution of land and the rights of various interests connected with it has become a burning problem. The three main elements of the agrarian structure are the landowners, the tenants and the agricultural labourers. In the course of history the agrarian relation-system became an essential part of caste stratification, with higher castes owing the land, the middle castes cultivating them either as tenants or as sub-tenants and the lower castes supplying most of wage labour for cultivation.

The traditional agrarian relations in India are however undergoing changes due to various pressures such as new ideologies, adult franchise and changes in agricultural technology. These and similar factors have created considerable strain on agricultural relations in several parts of the country. Sensing the need for change as also various pressures developing in the country, the government is also endeavouring to create 'an egalitarian agrarian relations system'. The tenancy and land ceiling legislation is the main tool through which state governments have been trying to achieve this objective. This immediately raises some important issues. Why are legislative measures effective in some states and not in some others? Can agrarian relations system be drastically altered through legislative measures alone? If drastic changes in agrarian relations in India are necessary, what are the appropriate conditions that should be created?

related issues

The seminar was concerned with these and related issues. Specifically the seminar was concerned with issues such as: (i) process of changes and factors responsible for it in landowner-tenant and cultivator-labourer relations; (ii) impact of changes in landowner-tenant and cultivator-labourer relations on the social and economic structure in rural India; (iii) ushering in of an egalitarian society in rural India and methods of harmonisation of class conflicts among various agrarian classes; (iv) agricultural labourers and adoption of minimum wages, measures for implementation of minimum wages and measures for improvement of the capacity of agricultural labourers for collective bargaining.

vested interests

As regards the process of change and factors resposible for it, it was observed that the introduction of land-reform measures has by and large eliminated intermediary interests of different kinds. It was however pointed out that in some parts of Maharashtra and Bihar vested interests of various types are still powerful deriving benefits from land merely by virtue of ownership of land alone. It was found that due to faulty implementation of land reform measures and lack of awareness among the people about their legal rights, tillers are still being exploited in many parts of the country, in spite of the formal abolition of the rights of intermediaries. It was pointed out that land-reform legislations were not effectively implemented in West Bengal, Orissa, Maharashtra and Madhya Pradesh as compared with their implementation in Kerala and Tamil Nadu. In Kerala and Tamil Nadu land-reform legislation registered greater success not only because of the inherent merit of the laws themselves but also because of the fact that tenants are powerfully organised and are in a position to vindicate their rights with the support of political parties championing their cause.

It was brought out at the seminar that in areas such as Guntur in Andhra Pradesh where commercial crops predominate and in Punjab where capitalist farming is emerging, 'the practice of reverse tenancy' is coming into operation. In these areas, many small farmers unable to take advantage of modern technology have been leasing out their small pieces of land to bigger cultivators who are interested in increasing the size of their holdings to take advantage of modern methods of cultivation. By this method both the big and small landowners are benefitting. The seminar came to the conclusion that the landowner-tenant problem yet remains to be solved in many parts of the country. The problem can be tackled successfully, if land reforms are implemented effectively. This alone would remove the class of intermediaries, leaving only the two classes, namely owner-cultivators and agricultural labourers.

diverse relationship

As regards cultivator-labourer relationship, considerable diversity was noticed in the country. In Punjab, increasing industrialisation and growing demand for agricultural labourers due to modernisation of agriculture and intensive cultivation have actually created shortages of agricultural labourers with the consequence that their wages have gone up along with the profits of cultivators. But in Gujarat little change in traditional cultivator-labourer relationship was observed. Agricultural labourers there are still employed on low wage rates ranging between Rs 200 to Rs 300 per year. This is also the case in Uttar Pradesh, Bihar, Orissa and Karnataka. But in Tamil Nadu agricultural labourers have achieved considerable improvement in their status through labour union activities. These unions are affiliated to the communist parties and work as agencies for transferring their ideologies to agricultural labourers. Similar changes were noticed in Allepy district in Kerala where also agricultural labourers are strongly organised. Analysing the relationship between cultivators and labourers, the seminar came to the conclusion that changes in traditional pattern of relationship between these two classes could occur either due to changes in production system as in Punjab or due to politicalisation and organisattional activities as in Tanjavur and Allepy.

As regards the impact of landowner-tenant and cultivator-labourer relationship on the social and economic structure of rural India, the seminar felt that the major stumbling block in the transformation of tenants into owner-cultivators is the new agricultural technology which has made agriculture far more remunerative than what it was earlier. This has made many absentee land-owners resume cultivation of land taking advantage of many loopholes in various land-reform legislations. This has resulted in ejectment of cultivators. This has naturally resulted in widespread resentment among tenants and has given rise to tensions in many parts of the country. It was pointed out in the seminar by many participants that the process of converting tenants into owner-cultivators should be accelerated by plugging the loopholes in the tenancy legislation.

As regards harmonisation of conflicting interests of various classes in rural areas, it was pointed out that for the non-realisation of greater equality in rural areas, structural factors were mainly responsible. And therefore, according to the seminar, for achieving this goal, it is necessary that the section of population which is below the nutritional requirement for continuation of healthy life should receive the maximum attention. The consensus at the seminar was that even though the creation of an egalitarian society is an important task, the matter of economic development is more important. And therefore, while endeavours should be made to secure greater distributive justice, there is also need to see that rapid economic development of the country also takes place.

lack of education

As regards conditions of agricultural labourers, it was observed that although in many states minimum wages acts have been passed, the provisions of the acts are seldom enforced. Because of their illiteracy and low level of education, the agricultural labourers are seldom in a position to take advantage of these acts which exist only in the statute books. The seminar also was of the opinion that unless the minimum wages acts are reviewed from time to time taking note of changes in the wage structure actually prevailing in the market and the price level, not much purpose would be served by merely enacting such legislation. Some participants also favoured the payment of provident funds to agricultural labourers. It was however felt that such a scheme would not be possible at this stage. The general view of the seminar was to wait and watch the results of the experiment in this field in Kerala.

The consensus of the seminar was that agricultural labourers should be encouraged to form their unions under the provisions of the Indian Trade Unions Act. It was felt that the agricultural labourers should receive the active support of the labour departments of state governments in their endeavour to organise themselves to improve their economic conditions.

Agrarian relations in India are undergoing fundamental changes since independence. This seminar has made an attempt to take stock of things and pinpoint the loopholes and shortcomings with a view to fill up the gaps. Unfortunately there is no reference to the lack of political will which for long was greatly influenced by the powerful landlord lobbies in states which held up the effective implementation of otherwise admirable land-reform legislation. The book gives the readers a grand review of the changing pattern of agrarian relations in India since independence.

ASIAN COMMON MARKET

Regional economic cooperation and integration have assumed great significance since the successful formation and functioning of the European Common Market. Due to political considerations as also due to constantly changing technology and the economies of scale, it has become necessary for most of the countries to form partial economic union with other countries to make maximum use of its resources and productive capacity. In the modern technological world, it has become increasingly costly and practically impossible particulary for smaller nations to identify the political frontiers of the country with its economic frontiers. We thus come across European Economic Community, European Free Trade Association, the Central American Common Market, Latin American Free Trade Association, the East African Common

Market, the Central African Customs and Economic Union, the West African Customs Union, the COMECON and so on.

It appears that economic cooperation among nations cannot be carried out successfully on any universally applicable set pattern. The unique socio-economic-political features of each country warrant a tailored approach for each economic cooperative effort to achieve desired results. Thus while the geographically compact European Economic Market countries could follow one path to economic cooperation, the Central American Common Market, the East African Common Market and COMECON member countries had to devise their own unique *modus operandi* for achieving satisfactory results. With this background the author of *Economic Feasibility of an Asian Common Market* has proceeded to analyse mutually beneficial economic cooperation among nations of the ESCAP region.

By economic standards, Asia is the poorest of the developing regions of the world. Average per capita income for the whole of Asia was approximately US$ 160 in 1972. (This figure however includes the national income of Japan which with just about six per cent of the region's population accounts for nearly one-third of the total regional production). The countries covered by the United Nations Economic and Social Commissions for Asia and Pacific (ESCAP) differ greatly in size and in their economic structures which the author has made clear by giving fairly detailed economic data concerning each one of the countries of the ESCAP region.

vast differences

It is seen that ESCAP regional member countries differ not only in size and stages of economic development but also in their cultural background, political framework and economic objectives. While the population of India is more than that of South America and Africa together, Western Samoa and Brunei are among the smallest nations in the world. While Australia and New Zealand of the ESCAP region are members of 'the highest per capita income group of nations', Burma, Afghanistan and Nepal belong to 'the lowest per-capita income group'. It is also seen that except for Japan, exports of almost all countries of this region show substantial dependence on agriculture and allied industries.

The author then proceeds to discuss the various existing barriers to intra-regional trade among countries of the ESCAP region. Some of the important barriers referred to by him are development plans and import substitution policies of the countries of the region, protectionism, traditional ties of some of the countries of this region with western countries, and various production constraints such as scarcity of development resources, of trained manpower, financial constraints, lack of regional institutions, lack of regional transport facilities and lack of intra-regional economic information. It is seen that even after attaining political independence, most of the countries of this region have made little effort to develop trade relations with regional member countries.

regional cooperation

However in recent years the various countries of the ESCAP region are making efforts to actively promote regional economic cooperation in various forms. As a result of multi-level meetings among various member countries, a number of intra-regional institutions and organisations have emerged. Thus some of the emerging regional institutions are Asian Development Bank, the Asian Institute for Economic Development and Planning, Asian Statistical Institute, Asian Industrial Development Council, ESCAP Trade Promotion Centre, Mekong Basin Project, the Asian Highway, Trans-Asian Railway, various Asian commodity communities (such as Asian Coconut Community, Asian Pepper Community and the Rice Community), the Colombo Plan and so on.

These institutions indicate the nature of the efforts at regional cooperation which are being made as also the success which has attended those efforts. It is seen that progress has been most difficult in those areas which involved issues of economic policy relating to international payments and trade and investment, and to the extent that impediments have not been overcome, the countries of the ESCAP region have generally failed to exploit fully the use of regional cooperation as a means to accelerate economic and social development. The usual explanation for the failure is the alleged conflict between the objective of economic development through regional cooperation and obsession with national sovereignty and independence of the countries of this region.

Against this background the author has proceeded to investigate 'the prospects of economic cooperation in the ESCAP region.'

commodity communities

Some of the major primary commodities of the ESCAP region include tea, jute, coconut and coconut products, spices, tin, rubber, timber, rice, etc. To overcome stagnation and fluctuations in the foreign exchange earning power of these commodities, some of the countries of this region have already formed 'commodity communities'. There is tremendous scope for such cooperation among nations of this region. This will not only increase the bargaining power of the commodity-producing countries *vis-a-vis* industrialised importing countries but will also help locate new markets and find new uses for their products. The establishment of a common market of countries in this region will help the process of rapid industrialisation of the countries by providing assured expanding markets for manufactured goods and also by helping to reap the benefits of external economies, both of which may not be available if each country tries to establish within its borders all the important industries.

In brief, larger the area and more varied its factor endowment, greater will be the number of industries likely to operate under optimum conditions. Advantages of specialisation will be larger then if market is restricted to only one country. Also the markets of many developing countries of the ESCAP region are too small to justify economically the establishment of more than one plant for many durable consumer product industries. A wider market would sustain a larger number of economically efficient production units. All this means that economic integration is expected to have a beneficial effect on factor efficiency in the integrated area.

According to the author, the approach to regional economic cooperation should follow along the following lines: development of regional trade infrastructure, establishment of regional institutions to facilitate intra-regional trade, effective implementation, improvement and widening of the scope of commodity communities, plan harmonisation and regional investment projects, and a planned effort in the direction of reduction of tariffs and trade barriers among the countries of the regions.

Of course there are some very serious obstacles which are likely to appear insurmountable at present. The great diversity in respect of ethnic, religious, political, cultural and linguistic backgrounds and the long geographical distances that separate the ESCAP members naturally mean imposing difficulties. The political rivalries among different nations of the region will also prove to be a big impediment in the way of reginoal cooperation. And the advanced countries are likely to impede the growth of regional cooperation in the ESCAP region to be able to continue the exploitation of the countries of this region. It is however seen that all the differences among the countries of this region appear insignificant when compared to the vast economic advantages of economic cooperation among countries of the ESCAP region.

art of living

There is, therefore, no cause for dispair. The art of living together peacefully takes a long time to acquire. It should be recalled that even in developed countries of the western Europe there was a decade of preparatory process before the European Economic Community came into existence in 1957, and even then all is not smooth sailing there as yet.

There is no doubt that T. N. Sindhwani has written a scholarly book and has made a very sound case for a phased programme for economic cooperation and trade development among the countries of the ESCAP region. The path is bound to prove tortuous and progress slow at least in the beginning. But there appears for most of the Asian countries no way out of poverty than the regional cooperation. By projecting this vision and providing some statistical basis for it, the author has done some useful preparatory work in the cause of regional cooperation.

PULSES

In India pulses provide the major protein component of people's diet. And yet this has been one of the neglected areas of research in the Indian agricultural economics. The matter has become grave because of the steady fall in the output and per capita availability of pulses in recent years (though production of pulses has recorded some increase in recent years). This explains why the Institute for Social and Economic Change, Bangalore has taken this subject as one of the first projects for detailed examination and *Pulses—An Analysis of Demand and Supply in India 1951-71*. is the outcome of this investigation.

Kusum Chopra and Gurushri Swamy have made an attempt to investigate several aspects of the problem of pulses, and in particular the demand for, and the acreage response of, these foodgrains. The authors have found that a traditional demand function defined in terms of own and relative prices yields interesting results. Pulses and cereals are highly substitutable in the Indian diet. Whether the consumer is aware or not, the authors have found that he certainly responds to relative price changes. This implies that if pulses are made available at lower prices, their consumption can be raised and nutritive requirements satisfied to some extent.

The authors have estimated that on purely nutritional grounds, the demand for pulses in 1980-81 would be 17789.3 thousand metric tonnes per year. On the basis that the prices of pulses and cereals remain at the 1967-68 level, expenditure elasticity indicates, according to the authors, that effective demand by then would amount to 14259.3 thousand metric tonnes. In terms of per capita effective demand, this works out to 56 grams per day which falls short of specified minimum requirement. (The calculated minimum, medium and long term pulse requirements per capita per day worked out by Dr Sukhatma are 104, 95 and 90 grams, respectively.) Effective demand can therefore be raised either by increasing real total expenditure or by reducing the prices of pulses.

Apart from raising the production of pulses without reducing the area under cereals which are also in short supply, the authors have suggested: (a) minimising losses on account of storage and processing; and (b) minimising losses in yield caused by diseases, insects and pests. Both will reduce retail prices which consumers have to pay at present.

The authors have concluded that "the problem of pulses must be seen as a part of an overall policy of cropping patterns." They have shown that it is possible and necessary to grow pulses in non-traditional areas and seasons so that they do not face competition from major cereal crops. Also, according to the authors, additional area under gram in some of the southern states instead of its localisation in traditional gram-growing states is necessary. It is also necessary that higher levels of yield should be achieved by encouraging the adoption of newer varieties of pulses already evolved and by further research for significantly higher yields.

decline in production

This study has analysed the causes of generally steady decline in production of pulses in India in spite of their comparatively high prices and their crucial significance in the matter of giving the needed protein content to Indian consumers. The authors' projections show that the position in this respect is likely to deteriorate further during the coming years, unless steps are taken immediately to increase the output of pulses. The possibility of doing this by increasing acreage under pulses is strictly limited due to increasing demand for cereals. This means attention will have to be concentrated on improving the yield per acre by the introduction of high-yielding varieties of pulses, application of fertilisers, use of irrigational facilities and introduction of shorter-duration pulse crops and arranging for more effective rotation of crops including pulses. Also price support and procurement policies that will give the needed incentives to the increased production of pulses will have to be pursued.

It is unfortunate that agricultural research has for all practical purposes neglected the field of pulses (except possibly gram) and appears to concentrate on wheat, rice and jowar. Important as those cereals are, as pulses provide major portion of portein content in the average diet of an Indian, attention needs to be turned to research in this field. The authors have done well to draw attention to this fact by undertaking research in various aspects of the problem of pulses in India.

PRODUCTIVITY

In recent years increasing attention is being given to the role of productivity in labour relations and collective bargaining as a consequence of galloping inflation, rising wage costs and deteriorating economic conditions of wage earners. Till recently it was believed that productivity of labour and collective bargaining have little relation between them. But now there is greater realisation among managers both in the public and private sector enterprises that increases in productivity can be secured through cooperation between labour and management and collective bargaining and that this will be to the benefit of all parties concerned. Enterprising entrepreneurs are making experiments in this field. G. K. Suri has made an attempt in this book to provide "the much-needed materials for stimulating thinking in this area."

Productivity, Wages and Industrial Relations examines, in the context of a live situation, the machanics of productivity bargaining, the demands made on management and the infrastructure for employee relations and union-management cooperation. The author has focused his attention on productivity bargaining as (a) an effective tool for eliminating wasteful practices, and (b) a method of wage increases linked with reduction of costs. He has also analysed policy implications of productivity bargaining in such areas as the involvement of the different categories and levels of management in the process of policy formulation bargaining and implementation of productivity agreements. The author has also discussed as an integral part of productivity bargaining, the formulation of the procedure for sharing the gains of productivity.

The author has stressed that productivity improvements and harmonious relationships depend largely on how trade unions and their functionaries react to the economic situation. While analysing the attitudes and reactions of union functionaries, the author has emphasised that the disposition of trade unions as protest organisations does not fit in with the needs of a developing country like India. It is necessary for trade unions, management and government to come together on a common platform to improve the production of essential commodities and the quality of life of the people. In this context, the author has emphasised "the involvement of unions in policy formulations related to wages, production, and inflation." The framework for such involvement and for training programme for trade union functionaries have also been discussed.

complicated tasks

Measuring productivity of labour and building up a satisfactory system of rewards to labour are extremely complicated tasks. The author has devoted considerable space to the discussion of these issues. He has shown how the choice of wage-payment system can significantly influence workers' productivity and labour-management relations and the conditions under which the principal types of wage-payment systems can prove effective. While analysing methods of devising a comprehensive and mutually supporting set of productivity of efforts, the author has used live situations to indicate applications of the measures devised.

It has also been emphasised that the question of productivity and peaceful industrial relations cannot be isolated from the broader context of wages, prices and incomes policy. The author therefore has analysed the inter-relationship among money wages, real wages, unit costs and productivity of workers. The conclusion has been reached that "an improvement in the standard of living of industrial workers without an adverse effect on the volume of employment is possible only if (a) growth in productivity in real terms is accelerated significantly, and (b) prices of consumer goods and industrial products are stabilised."

It has been emphasised that in any scheme of productivity improvement, "the monetary rewards for improvement of productivity have to be supplemented with psychic rewards and healthy attitudes of workers." Participation can be achieved by structuring employee involvement into the productivity improvement programme. In this connection the author has discussed in detail the thinking in regard to labour-management relations at the plant level against the backdrop of an experiment in a multidimensional incentive system in a company.

Technological innovations are essential for the long-term economic welfare of industrial workers and of industrial units. Labour however is generally opposed to such technological innovations. This resistance on the part of workers needs to be replaced by a pattern of cooperation in regard to technological innovations which are absolutely essential for continual growth of productivity and increase in real wages. In this context the author has analysed the determinants of the pattern of resistance and cooperation and has suggested policy measures for the implementation of cooperative pattern by management and government.

manpower practices

Since manpower practices are related to manpower productivity and labour relations, the author has examined selective manpower practices in Indian industry from the point of view of productivity and organisational effectiveness. He has defined sound manpower practices and has concluded that "the adoption of such practices would effectively enhance manpower productivity and promote harmonious employee relations."

Productivity movement in India is catching up and it is as it should be. But there are hardly any worthwhile studies on the subject analysing systematically the concept of productivity, the factors influencing productivity, sharing of the gains of productivity and so on. And therefore the book on this important subject by G.K. Suri is extremely welcome. Inevitably there is some jargon which is likely to make the understanding of the subject by common readers rather difficult. And yet the author has succeeded conveying what he wants to say with fair amount of clarity. The book will certainly be found useful to scholars, industrial practitioners and policy-makers.

ABSORBING READING

The first edition of *The Economic Life of a Bengal District* was published nearly 60 years ago in 1916. This second reprint was published in 1975. And yet the book makes absorbing reading as one reads with nostalgia, detailed description of a district and its inhabitants, their homes and the manner of life, their domestic budgets and general economic condition. What J.C. Jack found in Faridpur district in Bengal was the same as in other districts in India and therefore reading of this book affords us an opportunity to compare conditions then and now and know to what extent life of the people has changed for the better or for worse.

J.C. Jack spent about four years in Faridpur district in the Gangetic delta writing the settlement report and collecting statistical material which he puts in this book which was penned in 1915. We must be thankful that Jack could put in this book at least part of the vast statistical data which he had collected along with his assistants in the revenue departments. He prepared the draft during five days when he was on leave from the French front where he was to be killed in action soon thereafter.

This is an intensive micro-study of Faridpur district in Bengal made by some two hundred young men under Jack's general supervision and direction during the first decade of the present century when he was acting as the Settlement Officer of Faridpur district in the then Dacca division.

Jack's aim in writing this book was two-fold. One was "purely practical consideration of writing a book about the statistics he had collected with very great labour by many hands with devotion." He believed this statistical data unique "as no similar enquiries have ever been made in India or elsewhere over as large a tract of country and so large a population, or by an agency so well adapted to work." The second aim was "an ideological one of showing the beneficial result of the Raj by a micro-study." As the British rule was being attacked of late on the economic side, author felt that on the basis of statistical data he could show that the British rule produced some substantial beneficial results at least in one small corner of India. The author has made out a case that "British Government is not only cheap but efficient as well, except for some administrative inefficiency at the local level. The ICS has 'supplied' India with 'cheaper railway and communications', 'greatest irrigation works' famine relief, drought control, law and order, education, etc, etc."

massive scale

Jack's study is also a socio-anthropological survey on a massive scale. He classified the population into four divisions: those in comfort, below comfort, above indigence and indigent. Information was gathered by detailed cross-examination regarding rent and debt records, household census, record of crops sown, bought and sold, income from subsidiary occupations and so on. The income of a family was recorded in money equivalent. This was utilised subsequently to work out the annual consumption requirements of the family and its money value at current prices. On this basis the income of the average family in each of the four categories was worked out. There is thus no doubt that keeping in mind the times and conditions when the author was investigating, his thoroughness of approach stands out as a class by itself. The famine investigations of sample villages that preceded it and the Banking Enquiry volumes that were to follow cannot stand comparison to this pioneering survey by J.C. Jack. No Settlement Officer in north India wrote a district monograph of the Faridpur type.

Discussing domestic budgets, the author arrived at a detailed break-up of the annual consumption of peasant families, the family in 'comfort' spending Rs 50 per head per year as against Rs 29 for the indigent household. The author's figures indicate that nearly 49 per cent of the cultivators were living in 'comfort' or earning about Rs 365 per year; 28 per cent were living 'below comfort' earning about Rs 233 per annum; 18.5 per cent 'above indigence' earning about Rs 166 per year and only about 4.5 per cent 'scraping a meagre existence with Rs 115 per annum.'

The author also collected statistics about peasants buying a part of their food requirements on the market. These figures, though collected for analysing family budgets, are of immense importance for assessing the impact of commercialisation of the peasaatry. It is thus found that sugarcane was probably the most important crop and it was estimated that about one million lbs. of sugar was exported in 1840 to the British market. We learn from the accounts that "The manufacturing industry of Faridpur was chiefly engaged in the preparation of indigo and sugar."

a reasonable say

It was found that 41 per cent of all the agricultural families bought 1/6th of their food requirements on the market; 35 per cent produced their own foodgrains; 25 per cent needed to work as labourers to meet their consumption requirements; and 40 per cent were involved in jute circuit. They bought food beause they grew jute. The author concludes that "It is clear that the agricultural wealth of the district is divided with considerable fairness in such a way that a great majority of the cultivators have a reasonable say. This is no country of capitalist farmers with bloated farms and an army of parasitic and penurious labourers."

Apart from the various shortcomings and some of the controversial conclusions arrived at by J.C. Jack in whom the bureaucrat often got the upper hand over the academician in him, this book on Faridpur is a mine of statistical information and sociological insights. One only hopes that some scholar would lay his hand on the vast statistical information which the author who prepared the draft in five days when on leave from the front, left behind.

It would also be an academically extremely useful exercise if someone concerned takes up a resurvey of the same Faridpur district today as that would enable readers to have a comparative view showing to what extent the conditions have improved or deteriorated.

To have written such a book nearly 60 years ago is truly a remarkable achievement. The reprint of the book is most welcome when regional studies are being undertaken to analyse the agricultural topography of various regions of the country.

FINANCIAL INSTITUTIONS

In no area of economic activities in India since independence has there been so spectacular development as in the sphere of financial institutions and banking. *Financial Institutions of India* brings together an account of major financial institutions in India written by authors who have specialised in the particular subject or branch of the subject. It would be instructive to know what some of the authors have to say on the working of important financial institutions in the country.

Narottam Shah has analysed financial institutions in the Indian economy and has indicated their weaknesses. According to him, some of the weaknesses are that all these institutions ignored the small man and helped the big man, ignored rural areas and agriculture and served urban areas and industry. Favoured borrowers were given loans at excessively low rates at around 10 per cent or less while in the unorganised market the rate of interest was between 30 per cent and 100 per cent per year. Shah has complained that for most of the period since independence the operations of these institutions were dominated by the philosophy of laissez faire. This implies financial assistance to areas which were already developed and neglect of areas which were backward. The author is of the opinion that the time has come for "a radical restructuring of the financial system of the country". Unless this is done it would neither be possible to curb inflation nor to bring about a sharp increase in the saving rate of the economy which alone can provide sound foundations for the ambitious investment programmes in particular and development plans in general.

William Diamond writing on financial institutions and economic development has maintained that financial institutions with dynamic management can be active engines of economic development. According to him, provision of finance must remain the hard core of a development bank's activity. Development banks will also have to direct their efforts to some other economic objectives such as regional development, international competiveness and exports, more equitable distribution of income and wealth, and improvement of industrial efficiency. The financial institutions can also promote enterprise. According to the author, pursuing the right line between developmental dynamism and financial and institutional integrity is the most delicate and challenging task. Dynamic management would call for continuing reappraisal of the nation's requirements and opportunities and a continuing reconsideration of the programmes the development banks might pursue to exploit.

rural credit

Writing on rural credit, B Venkatappiah has taken up the problem of 'institutionalisation of rural credit'. He has shown how the history of agricultural credit in India is the history of efforts to institutionalise it. The process still continues. According to the author, one of the most reassuring features of the past has been the readiness on the part of policy-makers to review, evaluate and revise policies when occasion to do so seemed to arise through lapse of time or change of circumstances.

C.D. Datey writing on cooperative banks and agricultural credit has shown how the cooperatives at one time meant only to supply credit to agriculturist have come to be regarded as instrument of economic development and social change. He has also shown how nationalisation of commercial banks has ended the virtual monopoly of cooperatives as the institutional source of rural credit. According to him, the era of cooperation between commercial banks and cooperative banks has already begun, the two sectors of banking playing a complementary role to each other. According to the author, the future perhaps has in store not merely coordination but even integration between the cooperatives at the primary level and commercial banks. The future may witness a growing relationship between cooperative primaries and commercial banks which might serve as their central financing agencies.

land development banks

V.S. Vyas writing on the role of land development banks (LDBs) has maintained that though the banks have recorded commendable achievements during the past few years and have been assigning larger weightage to small and medium farmers, they have yet to go a long way to give proportionate benefits to this hereto neglected agricultural sector. According to the author, in the process of expansion, the financial base of the LDBs seems to have weakened. Instead of being more self-reliant, their dependence on outside resources has increased. There is also the disturbing tendency of mounting overdues. The author has repeatedly emphasised that while planning the activities of LDBs, the basic objective of removing the financing obstacles and thus enabling this vulnerable sections in rural areas to avail themselves of the benefits of technological and institutional developments should never be lost sight of. According to the author, together with this, the objective of developing the basic natural resources of land and water in a coordinated manner should also be kept in the forefront.

T.N. Chaturvedi writing on the Reserve Bank of India has shown how the Reserve Bank is tending in the direction of looking upon the economic system as a sub-system of the general social system and all aspects of change and growth as part of the global social process. The approach has enabled the Reserve Bank to take various social goals as expressed in India's five-year Plans into consideration. According to the author, the personality of the Reserve Bank of India is expected to assume new dimensions in the changing socio-economic environment which is throwing up fresh challenges necessitating new policies to promote the basic objectives of planning.

H.M. Patel, writing on the performance of nationalised banks, has pointed out various deficiencies such as lowering of the standard of efficiency, condoning of embezzlement, persistence of regional imbalances in the distribution of bank branches and so on and has emphasised that their performance should be critically reviewed after regular intervals as that would enable the banks to realise the objectives of bank nationalisation.

ticklish problems

In an article written under the pen-name 'A Manager', the author has pointed out that the many boards of executives of nationalised commercial banks have not been able to come to grip with problems such as (a) the relationship between and relative amount of profitability and social service, (b) lending and investment policies with a view to achieve a balance between profitability and service, (c) motivating the middle order management and the lower employees with a view to reduce costs and increase productivity and profitability, and (d) developing the spirit of joint or team decisions in order to plan the growth and development.

Writing on private sector banks, K. Gopalrao has pointed out that "These banks can continue to make good progress in years to come provided they and their staff realise that their one and only strong point is good and competent customer service."

V.V. Bhat, while writing on the performance of Industrial Development Bank of India, has insisted that the structure and functioning of the bank will have to have a built-in capacity to respond to new challenges. "Without such innovative ability, men as well as institutions decay and stagnate." It is, according to him, necessary to deliberately nurture a dynamic management set-up for this purpose and it is essential to evolve a group within the IBRD for a continuous review and appraisal of its functions. The research function within the IBRD needs to be strengthened for this purpose in cooperation with the Reserve Bank and economic and statistics departments.

C. Rangarajan writing on ICICI has insisted that the institution should work out a well thought out scheme of priorities consistent with the national goal and it should work towards the fulfilment of these priorities.

Vadilal Dagli, the editor, has written a very powerful piece by way of introduction. He has noted that while one can take pride in the vast expansion of variegated financial and banking structure in the country since independence, one is also simultaneously disappointed over the direction of this growth. India has build a variegated structure of such institutions at the central and state levels The country has also a large cadre of trained personnel, one of the largest in the world commanding wide experience and sophisticated skills required for the business of finance. As a consequence there is a massive upsurge in the annual flow of financial resources from these institutions to various sectors of the Indian economy. But, according to the author, the financial resources have gone mainly to those who were already well-off and who possessed adequate resources. The neglected sectors and individuals have not been receiving their due share, not even from the cooperatives which were established for the avowed purpose of helping the poor and needy but which have come to be dominated by big and rich landlords.

It is time that the financial flows be directed to this vast reglected sector which is in a position to make substantial contribution to national product. This trend has set in to some extent since the nationalisation of the major commercial banks in 1969, but that trend has to be greatly accelerated. This would also require a change in the outlook of the personnel of management of the financial and banking institutions in the country. This is a stupendous task and the extent of our success will depend upon the extent to which we rise to the occassion.

Compared to other topics of the Indian economy, literature on the Indian financial and banking institutions is meagre. This book therefore giving a fairly comprehensive and analytical account of the various financial and banking institutions in the country by authoritative writers is extremely welcome. Students of Indian financial institutions and banking will find this book extremely useful. The policy-makers will also find in this book a number of valuable and practicable suggestions which if implemented effectively would make these institutions an effective instrument of rapid economic development coupled with economic justice to the hitherto neglected people in the country.

Wealth of information

Manorama Year Book 1976: Published by the Manorama Publishing House, **P. B.** No. 26, Kottayam 686001, Kerala State; Pp 960; Price Rs 15.

Reviewed by **B. Ganapathy Sarma**

The Manorama Year Book 1976 has completed eleven years with this edition. As a year book it is entirely different from other year books. A unique feature of this remarkable publication is that every topic is dealt with in the form of an article which gives not only excellent background information on the subject but also the latest available data. Besides exhaustive treatment a wealth of information has been packed into this volume which makes it extremely interesting and quite informative.

The edition has been amplified and re-edited, and there many additions as well as welcome changes. A cursory glance of the synopsis will convince the reader of the vast multitude of topics, which in their range may simply be termed encyclopaedic. The topics are arranged in five sections: General Information, Space, World, India and Sports and Games. The section on India is the core of this publication. It presents a panoramic view of modern India in all its aspects—political, economic, social and cultural. Besides elaborate treatment, copious statistical and economic data have been provided wherever necessary. As we live in an age of scientific explosion and technological innovations, special attention has been paid to modern science. The spectacular advances made in space research has naturally been made as a special feature in the year book.

Such massive data on India, the world and the outer world has rarely been so systematically assembled and nicely displayed in a year book. It is doubtless that this handy campendium will certainly prove as a useful book of ready reference and as an invaluable and indispensable publication to busy executives, journalists, research scholars and university students in particular and educational institutions in general.

A handy guide

The Bombay Chamber of Commerce and Industry-Directory of Members: Published by Bombay Chamber of Commerce and Industry, Mackinnon Mackenzie Building, 4, Shoorji Vallabhdas Marg, Ballard Estate, Bombay-400038; Pp 1023.

The Bombay Chamber of Commerce and Industry has brought out the second edition of its Directory of Members after a lapse of 15 years, The first directory was published in 1961 as part of the celebration of the Chamber's 125th anniversary. The year 1976 is of particular significance as the Chamber will be completing 140 years of its existence.

The directory contains information about all members, their activities and interests. It also includes relevant information about the objects and functions of the chamber. This revised edition aims at promoting the overall interests of chamber members, by informing chambers of commerce, embassies, consulates and trade representations in different countries about the capabilities and potential of member organisations in the field of manufacture and trading. It is hoped that this volume will serve as a handy guide and ready source of information by those who need it.

Books received

Yesterday and Today : K.P.S. Menon; Allied Publishers, 13/14, Asaf Ali Road, New Delhi-110 001; Pp. 223; Price Rs 30.

Punjab The Possible Dream : Issued by Director Public Relations, Punjab; Pp. 246.

Cooperative Organisation and Management : K.K. Taimni; W.A.F.M Farmers Welfare Trust Society, Krishak Bhavan, D-8, Connaught Circus, New Delhi-110001; Pp. 319; Prices Rs 45.

Management by Objectives, An Integrated Approach : S.K. Chakraborty; Macmillan Company of India Ltd; Pp. 335; Price Rs 45.

Economics of Hedging : M.G. Pavaskar; Popular Prakashan Private Limited, 35C Tardeo Road, Bombay-400034; Pp. 144; Price Rs 30.

Wage Structure and Labour Mobility in a Local Labour Market : T.S. Papola and K.K. Subrahmanian; Published by Sardar Patel Institute of Economic and Social Research, P.O. Box 4062, Navrangpura, Ahmedabad-380009; Distributed by Popular Prakashan, Bombay; Pp. 214; Price Rs 45.

Surplus Labour and the City: A Study of Bombay : Heather Joshi and Vijay Joshi; Oxford University Press, 2/11, Ansari Road, Daryaganj, New Delhi-110002; Pp. 189; Price Rs 45.

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A Practical Guide to Marketing : Bruno Hake and NPC Marketing Consultants; National Productivity Council, Productivity House, Lodi Road, New Delhi-110003; Pp. 49: Price Rs 7.50.

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Britain 1976 An Official Handbook : Prepared by the Central Office of Information, London; Pp. 524.

Long-term Prospects and Policies in the Construction Sector: Published by United Nations; Pp. 133; Price U.S. $ 5.00.

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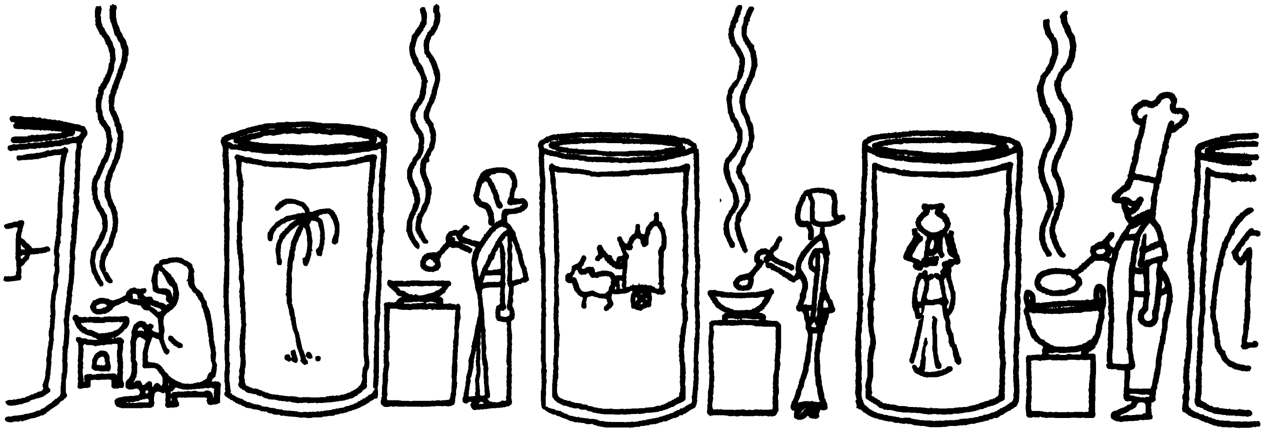
Textile Industry and Modernisation : R.D. Mohota; Current Book House, Maruti Lane, Raghunath Dadaji Street, Bombay-400001; Pp. 204; Price Rs 55.

Women Construction Workers—Reports of Two Surveys : G.P. Sinha and S.N. Ranade; Allied Publishers, 13/14, Asaf Ali Road, New Delhi-110001; Pp. 79; Price Rs 10.

Democratic Policy and Social Change in India — Crisis and Opportunities : Rajni Kothari; Allied Publishers, 13/14, Asaf Ali Road, New Delhi-110001; Pp. 124; Price Rs 20.

Mahabharata Myth and Reality (Differing Views) : Editors S.P. Gupta and K.S. Ramachandran; Published by Agam Prakashan, 1736, Trinagar, Delhi-110035; Distributed by D.K. Publishers' Distributors, 1 Ansari Road, Daryaganj, New Delhi-110002; Pp. 264; Price Rs 80.



Woes of Vanaspati Industry

S. P. Chopra

THREE MONTHS ago, the vanaspati industry (a majority of the manufacturing units) was flouting the directive of the government not to use more than 25 per cent groundnut oil. Because of a bumper harvest of groundnuts at seven million tonnes* in 1975-76, the prices of groundnut oil had fallen sharply while cottonseed oil and other minor oils were not available in adequate quantities and their prices were also higher than that of groundnut oil. The government also connived at this lapse of the industry because of its anxiety to let the production of vanaspati rise.

Then a few things happened in quick succession which created shortages of essential oils in some parts of the country and which led to a steep increase in vanaspati prices. First, the government decided to boost up groundnut oil prices by permitting the export of a small quantity. It was felt that the price of less than Rs 4,000 a tonne was non-remunerative for the farmer. Second, the oilseeds-producing states imposed—formal or informal — restrictions on inter-state movement of edible oils. Third, in the month of June, the monsoons played truant for a short while which raised the ghost of a lean oilseeds crop in 1976-77 and prompted some unscrupulous traders to hoard oils. Some of the rich farmers and the cooperatives joined the same game creating a first rate crisis for the government.

Stringent Measures

It goes to the credit of the government that it took on the challenge boldly and initiated certain stringent measures which have been listed in the following pages by R.C. Ummat, senior assistant editor, Eastern Economist, in his article "Crackdown on Oils Market". The most dramatic decision taken by the government was to ask the State Trading Corporation (STC) of India to import edible oils on a war footing and the industry was directed to use 50 per cent of imported oils. It was indeed ironical that the STC officials who were trying to locate markets abroad in April this year for the sale of groundnut oil, were now asked to buy up edible oils from wherever they could be had.

National Oil Plan

And then it dawned on the government that the country needed a National Edible Oil Plan. In order to forestall rapid fluctuations in the prices of edible oils, the government has now decided to chalk out a plan relating to demand and supply of all types of oils and it is proposed to be finalised much ahead of the next oilseeds crop. The producing and consuming states, the STC, the Forward Markets Commission and the National Agricultural Cooperative Federation have been consulted and certain guidelines have been issued. For example, the state governments have been urged not to impose, formal or informal, restrictions on the movement of oilseeds or oil. They have also been asked to take such measures as would result in dehoarding of oils.

As these lines are being written, the edible oils market has started easing up. Reports of widespread rain in Gujarat, the largest producer of groundnuts, have raised the hopes that production of oilseeds next year might be higher than that of 1975-76. Other oilseeds-producing states have also reported satisfactory rains. Dehoarding of oils in certain states has raised their availability, leading to reduced prices. The directive to the manufacturing units to consume 50 per cent imported oils also had a salutary effect on prices. Let us hope that the STC does not let down the manufacturers.

Zonal Problems

While the government has to tackle the problems of this industry from all-India angle, the claims of particular zones cannot be ignored. Eight vanaspati manufacturers in the eastern zone have their own peculiar problem. Currently they are able to utilise only 10 to 15 per cent of their installed capacities. In an

*A figure disputed by the trade; the view prevails that production of groundnuts in 1975-76 was not more than 6.2 million tonnes.

article by Mr V.N. Tantia in the following pages, the government has been asked to import edible oils through Calcutta port. This suggestion needs scrutiny and if for any reason it is not workable, alternative solutions should be found to mitigate the misery of these units.

In an exclusive interview with the present writer, Mr Bansi Dhar, Chairman of the Vanaspati Manufacturers' Association, has forecast easy availability of vanaspati during the next twelve months, though, he does not see a very bright future for the industry. With only 50 per cent utilisation of capacity, the return on capital, in his view, is bound to be meagre.

Crackdown on Oils Market

R. C. Ummat

THE RECENT uptrend in the prices of edible oils in general, and in that of groundnut oil in particular, has prompted the union government to take several drastic measures. These include: (1) directive to state governments that they should not hesitate to invoke the provisions of the Maintenance of Internal Security Act, the Defence of India Rules and the Essential Commodities Act against hoarders and the unscrupulous among the trade; (ii) counsel to the states of Gujarat and Tamil Nadu to remove the informal restrictions imposed by them on the movement of groundnut oil from there to the other parts of the country; (iii) banning of exports of handpicked superior variety of groundnuts; (iv) stipulating with effect from July 15, compulsory use of imported oils—rapeseed oil, palm oil and soyabean oil—at least to the extent of 50 per cent in the manufacture of vanaspati; (v) liberalisation of imports of edible oils; (vi) removal of the customs duty on edible oil imports (with effect from August 1); and (vii) enhancement, under direction from the Reserve Bank of India, of bank credit margins against oils, and, under the direction of the Forward Markets Commission, of the margins against oils and seeds forward delivery contracts.

Roalrl with the strengthening Pp. 189; Isoons over various parts of the country, these measures have had their impact on the prices of oils—they have registered significant declines in the past few days. The price of groundnut oil went down from Rs 6,410 to about Rs 5,750 per tonne. Although it has again rebounded to Rs 6200/6300, it continues to rule well below the peak level of Rs 6,410 per tonne registered early last month.

Upward Movement

Considering the facts that groundnut oil price had risen from as low a rate as Rs 3,800 a tonne, which was touched soon after the last groundnut crop—a bumper one around seven million tonnes, as against the previous year's harvest of about five million tonnes—and that this along with the hardening of the prices of foodgrains and sugar and the spurt in those of cotton had spearheaded an upward movement in the wholesale prices index, the crackdown of the government on the oils and seeds market, indeed, can be justified. But it is arguable whether the present state of affairs in this market is the outcome of only the unscrupulous among the trade.

There can be no denying the fact that the control of bulls on the oils and seeds market tightened a great deal in the second half of June and, consequently, prices started rising at a rapid pace, especially when the monsoons got delayed and informal restrictions were placed in Gujarat and Tamil Nadu on the movement of groundnut oil from these two states to the other parts of the country. The dry whether, it was feared, would delay the next groundnuts crop by about a month, which implied that unless imports of edible oils were liberalised, the last year's unconsumed output would have to be depended upon for a longer period. But it will be erroneous to construe that had the rains come in time, the problem would not have arisen.

Indiscriminate Use

The real cause for the current shortage of indigenous edible oils is the indiscriminate use of groundnut oil, in the manufacture of vanaspati till lately. This happened despite the government's directive that this oil ought not be used for vanaspati manufacture to more than 25 per cent, because it happened not only to be the cheapest oil available in the market but also the supplies of the other major edible oil—cottonseed oil—used for the purpose were limited following the peculiar phenomenon of cottonseeds being less expensive than the cottonseeds cake, as a result of which much larger quantities of cottonseeds came to be fed directly to milch cattle in the rural areas. The availability of cottonseed oil this year is reported to have been only about 125,000 tonnes against nearly 240,000 tonnes last year.

Price Support

The above situation obviously could have been avoided had the government stepped in, as repeatedly urged not only by the growers but also the vanaspati industry, to provide price support to groundnuts. Sizeable stocks of groundnut oil could have been built up through this operation, which could have been released for direct consumption as well as for vanaspati manufacture in the current lean season. But, instead, the government allowed the prices of groundnuts, and consequently those of groundnut oil, to fall to unduly low levels. Apart from prompting the vanaspati manufacturers to violate the government directive, this led to substantially increased consumption of this oil directly. To cap it all, there came the pressure of the organised sector of the soap industry on the oils market due to the fact that supplies of tallow to this sector, which last year were of the order of about 8,000 tonnes, were stopped.

Instead of providing price support directly, the government thus depended on increased consumption of groundnut and other edible oils to lift the prices to reasonable levels. To some extent, this purpose was sought to be served also by limited exports of groundnut oil—5,000 tonnes. But it was little realised that the drying up of stocks through indiscriminate consumption even after a bumper crop could complicate matters in the lean season. It must also be mentioned here that the government, by keeping the sale price of imported oils around Rs 5,000 per tonne, only encouraged indiscriminate use of groundnut oil in vanaspati manufacture and could not even enforce its order that, with effect from April 1, these oils had to be used in the production of vanaspati compulsorily to at least 10 per cent.

Much has been made out in some circles that exports of groundnut oil, though limited to just 5000 tonnes, and those of HPS groundnuts in somewhat larger quantities than normally, too have accentuated the uptrend in the prices of edible oils. But this impression needs to be corrected as all these exports have formed just not even three per cent of the entire last groundnuts crop. As a matter of fact, larger exports of groundnuts oil could have been effected through a price support scheme and the proceeds from them could have been utilised for importing much larger quantities of less expensive edible oils.

Placed in the situation that has developed, the measures adopted by the government are not unwarranted, even though the current prices of groundnut oil compare very favourably with those of 1974 and 1975 when the peak levels touched were Rs 10,000 and Rs 8,000 per tonne, respectively. But, surely, there is another important point which has to be kept in mind while deailng with similar situations in future. It is the long-term interest of fostering the production of oilseeds which has not kept pace with our growing requirements, barring the exceptional years of bumper harvests. This objective cannot be achieved if prices are allowed to fall to uneconomic levels. There are reports that the acreage under groundnuts has declined this year by 15 to 20 per cent. The next crop, therefore, may considerably fall short of the requirements in the coming year. This will necessitate larger imports. Already with a view to tiding over the current difficulties, the State Trading Corporation (STC) has contracted 90,000 tonnes of edible oil imports so that vanaspati manufacturers can be supplied nearly 20,000 tonnes of imported oils till at least the new crop of groundnuts comes in the market. This quantity is in addition to approximately 46,000 tonnes already in stock. Care has to be taken that adequate imports are arranged to augment the supplies to the requisite extent for the next year as soon as more reliable estimates of the next groundnuts crop are available.

To some extent, the recent uptrend in the prices of edible oils has also been in sympathy with the spurt in the international prices of all oils—edible as well as non-edible—which has enabled us to nearly

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Vanaspati Price Decontrol—Its Effect on Eastern Zone

V. N. Tantia

After a decade of voluntary and statutory price control, the central government finally agreed to decontrol the vanaspati industry in January 1975. This major policy change was taken because the structure of this industry is such that the price of the raw material i.e. edible oil plays the most vital role in deciding the ultimate price of the end-product i.e. vanaspati. During the year 1973-74, the government tried its best to control the price of the edible oils through large imports and making the same available to the industry at subsidised rates; still there was virtually no control on the rising price of vanaspati because the industry had to meet its requirement of edible oils for more than 70 per cent from the internal sources at constantly rising prices. In fact, both the items were chasing each other and even at very high prices, the consumers were not getting an adequate quantity of either vanaspati or edible oils.

Uneconomic Prices

The industry was unable to maintain its normal production due to uneconomic price realisation and was forced to curtail its output from time to time in order to avoid heavy financial losses. It was in these circumstances that the central government took the realistic decision of decontrolling the price and thereby allowing the industry to fix its price on the basis of the edible oil price ruling in the market from day to day. In a short spell of 1½ years, the situation has greatly changed. Today there is no longer any shortage of this essential item in any part of the country. In fact, the current prices are far below the average fixed by the government during the year 1973-74.

Non-Oil Producing Areas

So much for the effect of pricing policy on the industry in general. The main purpose of this article is to study how the changed policy has affected those regions which are non-oil producing but where the consumption of all the edible oils including that of vanaspati is very high due to high concentration of cosmopolitan population and high urbanisation rate. A study has been made of the eastern part of the country i.e. Bihar, Orissa, West Bengal and Assam. In this part of the country, no serious effort has been made by the central or the state governments to encourage the growth of such oilseed crops as mustard, groundnut or sunflower. Taking into account all varieties of edible oils including vanaspati, the per capita consumption is very high and only marginally lower than that of the rich states of Punjab, Haryana and Uttar Pradesh. Thus, over decades these areas have been importers of oilseeds or raw edible oil from other parts of the country.

Shortage of Inputs

Numerous small and large-scale oil crushing units and vanaspati units were established in the early fiftees on the basis of imported raw material i.e. either oilseeds or edible oil from other parts of the country. Everything worked well till the late sixties, when the industrial base in the oilseed-producing states of Andhra Pradesh, Gujarat, Maharashtra and Tamil Nadu was very small and the oilseeds from these states were transported to industrial units in the eastern region. But now things have changed very rapidly. A large number of oil-based industries have been established in these areas. The installed capacity in most of the states far exceeds the production of oilseeds there. Thus gradually the export of the raw material i.e. oilseeds to units in the eastern states is falling. What was true for oilseeds crushing units uptil now is applicable to the vanaspati units of this entire zone, which number eight and are situated in West Bengal and Bihar.

So long as there was price control on vanaspati, the locational disadvantages was very much neutralised through the proper allocation of imported edible oil and so the units could meet more than 90 per cent of the requirements of this zone at economic prices and kept pace with the production trend of the industry as a whole. But now every unit is basing its price on its own cost of production. In short, the units situated in oil-producing areas due to relatively easy and cheap availability of oil, which constitutes more than 85 per cent of the cost of the production, are in an advantageous position, and have started exporting finished products i.e. edible oil, refined edible oil and-vanaspati to eastern zone by under-cutting prices and making the production for eastern zone units uneconomic day by day.

Current Situation

The current situation with regard to marketing is that as against 90 per cent share of the market in the years 1972-74, currently (between January-June, 1976) it has sharply come down to 40 per cent only. Hence Calcutta-based units are forced to reduce their production and continue to incur heavy financial losses. Against the general capacity utilisation of above 60 per cent in vanaspati industry, units are able to use 10 to 15 per cent only. If this trend is allowed to continue for some time more, the entire industry in this region will collapse and thousands of workers employed in this industry will be rendered jobless. The managerial and technical skill developed over a number of years in this part of the country should not be allowed to go waste due to defective planning in the past by state and central governments.

Long-Term Planning

The situation, as stated above, requires immediate attention from the centre as well as the state governments of this region. In order to make this region self-sufficient in oilseeds, long-term planning must be undertaken. But this will take some time and till the fruits of this planning are made available to the industry, short-term measures should be taken to make the raw material cheaper for the oil-based units of this region.

One of the measures which could be cited is the import of edible oilseeds. It has been announced recently in the press that we will have to continue to import edible oil/oilseeds in the near future also though we had a bumper crop of groundnut last year.

If this is the accepted policy of the centre, for a reasonable balance in production and equitable pricing of the edible oil in the country, the entre quantity of imported oil or oilseeds should be imported at Culcutta Port. Presently, it is being imported at Bombay, Kandla and Madras for meeting the requirements of states in the western, northern and southern zones. Leaving aside the eastern states of the country, every other state is nearly self-sufficient in oilseeds and hardly requires any imported oil for regulating or controlling the prices. Besides this, if the requirement of the eastern zone is met through the imported oil, considerable cross-country movement of edible oils at an exorbitant cost can be avoided.

All the agro-based industries including oilseeds provide large employment at a relatively low technological development and also require less capital investment. In a country like ours where both these things are in short supply, the state policy should always remove all those handicaps which in any way affect directly or indirectly the growth of these industries. This is further important for a balanced regional growth.

Regular Supply

To make essential items of daily use available in plenty within the region itself, any cross-country movement through middlemen can always create dislocation of supplies leading to artificial shortages.

With this basic idea, the entire oil industry including the vanaspati units of eastern zone, should be given protection or even subsidised if necessary by making changes in the import oil policy of the central government, which has played a major role in the past and will continue to play significant role in the future as well.

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Research on all this can only begin at home. It has, at the Hindustan Lever Research Centre in Andheri. The sweep and thrust of the studies are daring. The scientists are producing new devices for old, making traditional things happen in new ways.

They have, of course, left the banyan tree alone to grow by itself.

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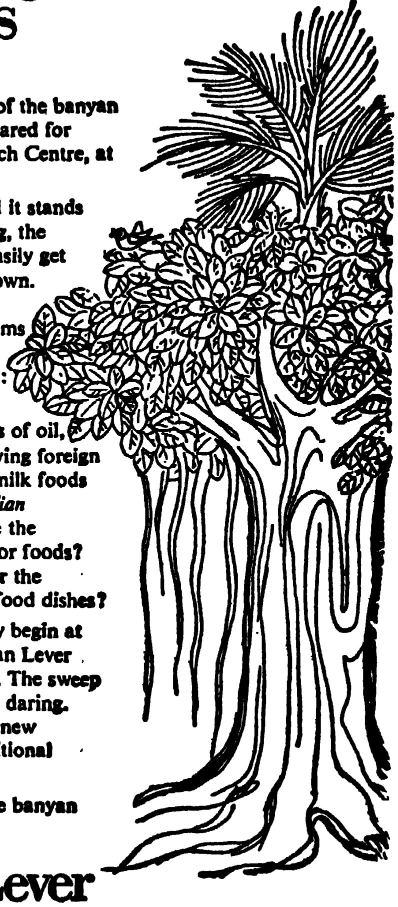

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Interview : Bansi Dhar

No shortage of Vanaspati

In an exclusive interview with S.P. Chopra, Acting Editor, *Eastern Economist*, the Chairman of the Vanaspati Manufacturers' Association, Mr. Bansi Dhar, stated that easy availability of vanaspati is likely to prevail in the next 12 months.

Q. *Will you please describe the current position in regard to the availability of vanaspati in so far as the retail market is concerned?*

Ans. Since the decontrol of vanaspati prices in January 1975, there has been no difficulty regarding availability of vanaspati.

Q. *What is the order of improvement in vanaspati production between 1972 and 1976?*

Ans. In the calendar year 1972, vanaspati production exceeded 600,000 tonnes. Thereafter, due to shortage in the availability of oils and the unrealistic prices fixed by government from time to time, production of vanaspati started declining and in the year 1974, it touched the lowest level of 354,000 tonnes in recent years. Since decontrol of vanaspati prices in 1975, the production has been steadily increasing and in 1976 the industry is expected to exceed the production level of 550,000 tonnes.

Q. *The easiness in the availability of vanaspati currently is, in your view, due to :*

(*a*) *Decontrol of vanaspati prices; or*

(*b*) *Good crop of oilseeds; or*

(*c*) *Both these factors.*

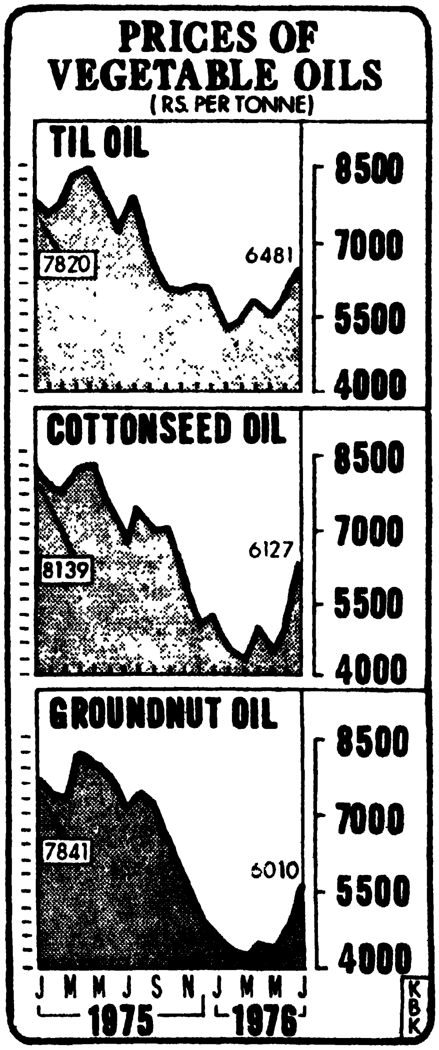
Ans. In my view, both these factors are responsible for the current situation, which is welcome from the consumers' point of view.

Q. *What percentage of the cost of vanaspati is due to the edible oils alone ?*

Ans. The oil cost accounts for neary 85 per cent of the total cost of vanaspati.

Q. *In order to keep a balance between indigenous availability of edible oils and the demands of the domestic market, the government did import oils from abroad. How is it that the country had to experience periods of extreme shortages when the consumer was virtually held to ransom?*

Ans. The import of oils in 1973 and 1974 could meet the oil requirement of the industry only to the extent of 15 to 20 per cent. Due to crop failure in these two years, there was an acute shortage of indigenous oil availability in the country. The imports were only marginal and they could hardly neutralise the shortage in the total availability of oils. The imports, however, helped in regulating the prices of vanaspati, which were statutorily controlled by the government. In view of inadequate availability of oils, the vanaspati production fell drastically during these two years resulting in shortage conditions in the country. However, it would be wrong to say that the consumer was held to ransom, as the government had not only regulated the



Note : Prices relate to Delhi Market

prices of vanaspati but also its distribution.

Q. *Is the industry under obligation to use particular oils in pre-fixed proportions ?*

Ans. The industry is not at all free to use the oils that are available cheap and abundantly. As per current regulations, the vanaspati industry cannot use more than 25 per cent groundnut oil; not less than 30 per cent cottonseed oil; minimum 10 per cent liquid oil (sesame and safflower) and 50 per cent imported oils. While in April this year, 10 per cent imported oils were to be used compulsorily by the industry, this percentage was increased to 20 on July 1, 1976 and to 50 with effect from July 15, 1976. Incidentally, I would like to point out here that, during the current year, the total availability of cottonseed oil may be sufficient to meet the industry's requirement up to a maximum of 20 per cent only, because, as against the production of 240,000 tonnes last year, the production this year is expected to be less than 150,000 tonnes. As against this, the demand for vanaspati this year, due to low prices, has gone up by 25 per cent and accordingly production of vanaspati has also gone up.

Q. *As a businessman, if you had the choice, you would like to use 100 per cent groundnut oil which is the cheapest at the moment. Is it not ?*

Ans. In case we had the choice, we would like to use edible oils which are available abundantly and are cheap, so that we could supply vanaspati to the consumer at the lowest possible prices.

Q. *There is a feeling that we have excess capacity in this country and that it is not being fully utilised. Is it correct ?*

Ans. Yes. In the year 1970, the vanaspati industry was delicensed and anybody could put up a vanaspati unit of any capacity. After a year-and-a-half the government again put up a stop to expansion of capacity. However, during the delicensed period, 1.2 million tonnes per annum capacity had been actually installed as against the peak demand of 600,000 tonnes. Keeping in view that the total annual demand for vanaspati is not likely to exceed 600,000 tonnes in the near future, the industry can improve its utilisation of capacity if the govenment removes (i) constraints on the manufacture of refined oils by factories, (ii) permits production of industrial hardened oils and (iii) permits usage of colour and flavour in margarine.

Q. *If given a free hand, is there any possibility of the industry raising prices ?*

Ans. No, not at all. Since the lifting of vanaspati price control in January 1975, we have witnessed a steep decline in vanaspati prices due to fall in oil prices and severe competition amongst the manufacturers. The government is also aware of this fact.

Q. *What part has the industry played in encouraging the production of oilseeds in this country ?*

Ans. For the last 19 years, the vanaspati industry, through its Association, has been playing an active role in the development of better varieties of oilseeds in various parts of the country. Through trained agronomists employed by the association, farmers are given subsidised or free inputs like better seeds and fertilisers and imparted modern farming techniques. The results thus achieved are passed on to the central and state government Agriculture departments, whose staff is associated with our programmes from the beginning. During the last 10 years, particularly, the vanaspati association's programmes have expanded extensively from Jammu and Kashmir in the north to Tamil Nadu in the south and from West Bengal in the east to Saurashtra and Rajasthan desert areas in the west.

Q. *What is your outlook for this industry for the next 12 months ?*

Ans. Production of vanaspati is expected to go up and hence conditions of easy availability are likely to prevail during the next 12 months. Since there is no marriage season till September-October this year, the demand for vanaspati will be restrained for the next two or three months. However, from October-November onwards, the demand for vanaspati is expected to pickup. The outlook for consumption is hopeful because there is no likelihood of any shortage of vanaspati or spiralling of prices. On the other hand, I do not see a very bright future for the industry in the sense that with only 50 per cent utilisation of capacity, the return on capital is bound to be meagre provided the industry is able to avoid losses.

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TRADE WINDS

New Rules for Bonus Issues

THE GOVERNMENT has ralaxed the requirement of maintaining the rate of dividend in the previous three years for the issue of bonus shares. A notification is being issued amending the Compaines (Transfer of Profits to Reserves) Rules. Industry had represented to the government that if the same rate of dividend had to be maintained, the amount for distribution would be large and this requirement would impede large issues of bonus shares. It has now been clarified by the government that the aggregate amount distributed as dividend should not be less then the previous year's, instead of maintaining the same rate of dividend, where bonus issues are involved.

Excise Relief for Paper

The paper industry is now entitled to relief of 25 per cent of excise duty payable on goods produced in excess of production in a selected base year. A scheme for such relief for 43 selected commodities was announced on June 17 last and it has now been extended to paper industry as well. Simultaneously, the existing concessions to paper mills set up or expanded on or after April 1, 1973, have been withdrawn. The new concession, which will apply to categories of paper and paper boards (except converted types of paper and paper boards) will, it is officially stated, encourage more production in industry.

For calculating base year output, extent of relief, etc, the paper and paper boards have been divided into two categories and the calculations separately for each category will be done on weight basis. Smaller paper mills without an attached pulping plant will have an option to avail themselves of the existing specific concessions meant for such units or under the excess production relief scheme, whichever is more beneficial to them. Such mills will not be entitled to both the concessions simultaneously.

Association of Consultancy Engineers

An important role for consulting engineers in all aspects of economic development was foreseen by the union minister of Industry and Civil Supplies Mr T. A. Pai, while inaugurating recently the National Association of Consulting Engineers, an organisation uniting all the consultancy organisations in the country under one roof. The new organisation formed with Mr R. V. Raman, Secretary, Department of Industry as its first president has already drawn up a programme of action to suggest amendments to various tax laws and company laws affecting the consultancy profession, to have insurance cover for any damage within and outside the country and to give a boost to the export on consultancy services.

While enumerating the wide ranging fields in which the consultancy firms could play an effective role in the promotion of national objectives, Mr Pai particularly wanted them to give attention to the problems involved in the transfer of technology from the developed countries. Ways have to be devised so that import of technology do not perpetuate dependence. Apart from the direct cost involved in the import of technology there were the indirect costs of tie-in arrangements for the import of intermediates and capital equipment, he added. There was also the serious problems of non-transfer of technology already paid for.

Deposit Linked Insurance

The Labour Provident Fund Laws (Amendment) Ordinance intended to provide insurance cover to 8.4 million workers came into force from August 1, 1976 according to a notification issued by the ministry of Labour recently. The Ordinance provides for the introduction of Deposit Linked Insurance Scheme for workers covered by Employees' Provident Fund Scheme and the Coal Mines Provident Fund Scheme. The Labour ministry has issued separate notifications publishing the details of the schemes. These notifications provide for the manner in which the funds are to be administered, manner and method of contributions, investment of money, scale of assurance benefits and records to be maintained etc. The ministry has also notified the pattern of contribution to be made by the employers' and the government to the Fund. The employers are required to contribute monthly 50 paise per Rs 100 of there wage bill and the government 25 paise to the fund. In addition, the employers and government will contribute 10 paise and five paise respectively per Rs 100 of the wage bill as administrative charges.

Tamil Nadu Small Farmers Debt

All the debts incurred by landless agriculture labourers, and rural artisans whose annual household income does not exceed Rs 2,400 and that of small farmers have been wiped out completely in Tamil Nadu with immediate effect. A presidential act to this effect was promulgated recently. The act, Tamil Nadu Debt Relief Act, 1976 defines a family as a husband, wife and minor children. By an earlier enactment the government had already granted moratorium on repayment of debt incurred by the weaker sections. The present act enjoins on the creditors to return the pledged properties to the debtors whose debt is liquidated. Failure to comply with the provisions of the act would entail imprisonment for a term not less than three months.

Technical Development Fund

A Technical Development Fund has been set up by the government to promote technological upgradation, modernisation and export development of selected industries. Details of this scheme have been released by the ministry of Industry and Civil Supplies in order to enable interested sectors of industry to take advantage of the Fund by drawing up their modernisation plans within its parameters of operation.

The fund is meant to give priority to the six selected IDA industries viz. commercial vehicles, tractors, forging, foundry, textile machinery and machine tools. Their requirements of capital goods, import of drawings and designs, foreign collaboration, foreign consultancy, prototypes, etc. would be considered and approved by a special committee. This committee would normally give a decision within one month of the application and would also allocate foreign exchange at the same time. The procedures for processing of import applications, etc. have been considerably modified to give a decision within one month. This, together with simultaneous allocation of foreign exchange, results in immediate issue of import licence, etc. These are expected to reduce the implementation time for modernisation projects, etc. by a few months.

Relief for Textile Mills

The government has relaxed the formula on the basis of which textile mills could seek exemption from manufacturing controlled cloth for a period of one year. The new formula will enable a good number of mills to get the exemption. These mills could not get the exemption under the earlier formula, which laid down that only those units whose reserves have been completely wiped out are eligible for such exemption.

The new formula, which will now govern the criteria for grant of exemption, is that all mills whose reserves have dropped to 50 per cent could seek permission from the Textile Commissioner not to manufacture controlled cloth. Mills having only reserves 50 per cent to 75 per cent of their total will be eligible for a 50 per cent reduction in the existing obligation to produce controlled varieties of cloth. Those mills whose reserves have shrunk and are now ranging between 75 to 100 per cent, will be eligible for a reduction in the existing obligation equal to 75 per cent.

Leather Industry

A team of officials from the World Bank will visit India shortly to assess the requirements of small scale leather and leather goods industry for modernisation and development in potential regions. Mr A.P. Sharma, union minister of state for Industry and Civil Supplies, who gave this information recently while inaugurating a seminar on 'modernisation of leather and leather goods industry in Tamil Nadu and Pondicherry' organised by the Small Industries Service Institute, stated that modernisation of small industries would require massive inputs and hence, the government was contemplating to get World Bank assistance in selected fields.

Mr Sharma pointed out that the Reserve Bank was also considering a scheme to give finance at concessional rates to units taking up modernisation. Besides the Small Industries Development Organisation, state government departments and financial agencies would be involved in the study and implementation of modernisation report of individual units.

Guidelines for Science and Technology

The Department of Science and Technology has laid down guidelines for the approval of scientific research programmes which will qualify for weighted deduction under the Income-tax Act if sponsored by industries or other assessees. It has specified the areas of prime importance to the social, economic and industrial needs of the country in which research programmes will be considered for approval.

The programmes should seek to develop any new source of energy, which is capable of being commercially exploited or to improve the efficiency of any existing method of energy generation or distribution, or any new source of proteinous or other nutritional food for human consumption. The object should be to conserve energy, food or any of the scarce material resources by devising new methods or by improving any of the existing methods of processing or manufacture; to devise new or better techniques for the utilisation of re-cycling of wastes; to develop new or better techniques for pollution control or reduction; to develop new or improved or cheaper techniques or methods of family planning, which are likely to find wider acceptance among the masses in general.

Montreal Olympics

1976 Olympic meet at Montreal, which started on Saturday July 17 came to a close on Sunday, August 1. The participants from the Soviet Union, German Democratic Republic and the United States won 41, 39 and 34 gold medals respectively. The next Olympics will be held at Moscow in 1980.

The programme should also seek to develop new or improved techniques of house-building or construction or discover new building materials with a view to achieve cost reduction, substitution of scarce materials and the like, with special reference to rural areas; to devise new techniques of manufacture or production of goods which result in substitution conservation of foreign exchange by way of import substitution or export promotion and to achieve such other objectives which the prescribed authority, in its discretion, considers important for the social, economic and industrial needs of India.

Export of Non-Ferrous Metals

The export value of non-ferrous metals, semis and products from this country increased from Rs 11.6 crores in 1974-75 to Rs 17.6 crores in 1975-76. Several measures have been introduced by the government to generate more exports and these include re-introduction of non-ferrous semis and extrusions in the registered exporters policy providing the domestic industry the facilities of direct import of copper and zinc in export production without having to go through a canalising agency, protecting the industry against vagaries of fluctuating prices in London Metal Exchange, placing the import of important non-ferrous metals needed for export production in the list of raw materials qualifying for duty waiver and so on.

Major Breakthrough

Production of non-ferrous metals is expected to witness a breakthrough in the years to come. An all time high production has been recorded in case of all major non-ferrous metals during 1975-76. Production of aluminium, for instance, at 187,276 tonnes is an increase of 48 per cent over the last year's production. The increase in the case of copper comes to 51 per cent and 50 per cent for blister copper and copper wire bars respectively. The production stood at 23,888 tonnes for blister copper and 12,765 tonnes for wire bars. The output of zinc metal came to 27,829 tonnes recording an increase of 26 per cent over the previous year's production and the lead output was 5155 tonnes, which was 25 per cent more than the previous year's record. Iron ore production also increased to 42 million tonnes during 1975-76 whereas for the last three years the production had been around 35 to 36 million tonnes. Self-sufficiency has already been reached in case of aluminium and substantial quantities of the metal have been allowed for export.

Cement for Indians Abroad

The ministry of Industry and Civil Supplies has announced that the facility of priority allotment of cement against inward remittance of foreign exchange will now be available also to Indian nationals who are residing abroad. Relevant changes to this effect have been made in the application form prescribed for priority allotment of cement against inward remittance of foreign exchange. Eligibility for priority allotment of cement is, however, subject to their fulfilling certain conditions.

Regional Cooperation

On the first day of the Seminar on the Transfer of Technology to rural areas in New Delhi recently, the first sectional conference on concept of regional cooperation was inaugurated by the Finance minister, Mr C. Subramaniam. The Finance minister laid stress on the transfer of technology to villages, which he described as a big challenge to the scientists and technologists. He emphasised the need for a strong and efficient organisational system to operate at various levels—central, state and district, block and villages—with perfect cooperation among them to ensure rapid development of technology and its transfer to rural areas. Subramaniam said while at the central level, policy guidelines and effective cooperation of scientific and financial support is important, at the state level there would be need for much closer guidance, coordination, allocation of work and smooth flow of funds. At the district level, three distinct groups will have to work side by side, the scientific group, the administrative group and social action group. The scientific group has to work out the programme for the survey of available natural resources and the operational programme for scientific exploitation of these resources. The administrative group would have to be primarily involved in implementation.

Voluntary Efforts

The social action group would have to provide inspiration to voluntary organisations and formulate strategy for mass communication through various media. From the district level coming down to the block or village level, there will be need to identify the specific problems of each particular area. Different aspects such as animal and plant life, transport management, rural housing, pest control, sanitation, sewage reclamation, tree plantation, establishment of small scale industries, storage and marketing and a host of other activities will have to be carefully studied.

Wire Products Exports

Iron and steel wire products from this country have a large market abroad. Their export value was Rs 12.55 crores in 1974-75 and Rs 7.68 crores during April-December, 1975. Wire ropes, fencing type wires, wire gauze and wire-nettings are the principal categories which are exported. Blackwire ropes fetched Rs 3.96 crores in 1974-75 and Rs 1.92 crores in the first three quarters of 1975-76. The USA, Singapore, Yugoslavia, Bahrein Islands, Canada and Thailand were the major buyers in 1974-75 while Yugoslavia led the list in the subsequent year, followed by Abu Dhabi, Canada, Dubai, Iraq, Netherlands, Singapore and the UK. Galvanised wire ropes earned Rs four crores and Rs 1.83 crores in the respective periods. Yugoslavia, Iraq, Zambia, Bulgaria and USA proved to be the major customers in the year 1975-76.

Barbed iron or steel wires of India have also been active in export trade. Mainly the west Asian economies have been the leading importers. Among them Iraq, Saudi Arabia, Dubai and Arab Republic of Egpyt are particularly important. USA was also significant buyer in 1974-75.

Building Materials from Wastes

The National Committee on Science and Technology panel on Housing, Urbanisation and Construction Technology has identified wastes with high potential of utilisation as building materials along with requisite research and development inputs. Some of the major agricultural wastes identified are rice husk; waste sludge available from sugar, paper, tannery, acetylene gas and fertiliser industries; saw dust; rice straw; wheat straw; corn stalk; reeds and bagasse. Agro-industrial wastes like coconut husk, coir fibre, paddy straw; have also been identified for utilisation in construction technology.

The Central Building Research

Department of Atomic Energy

On behalf of the President of India, the Director, Directorate of Purchase and Stores, Department of Atomic Energy, Bombay, invites tenders as detailed below:

1) DPS/TAPS/PPF/179 due on 15.9.76. Supply of gate valves ranging from 4" to 10" sizes as per purchaser's tender specification.
2) DPS/GEN/36 due on 6.9.76. Cotton Waste Bleached—15 M.T. Unbleached—15 M.T.
3) DPS/NAPP/CAP/81 due on 7.9.76. The machine shall be suitable for insert gas/CO_2 shielded arc welding upto a maximum of 250 amp. welding current, as per purchaser's specification. 1 No.
4) DPS/HWP/PPF/511 due on 10.9.76. Supply of valves for AIR and nitrogen system as per purchaser's tender specification.
5) DPS/HWP/PPF/512 due on 13.9.76. Supply of stainless steel and Carbon Steel Valves as per purchaser's tender specification.
6) DPS/PPED/PPF/894 due on 14.9.76. Supply of stainless steel and carbon steel fittings as per purchaser's tender specification.
7) DPS/PPED/FAB/273 due on 15.9.76. Preparation of fabrication drawings, manufacture, inspection, testing, sand blasting, painting and delivery at Madras Atomic Power Project Site, Kalpakkam of Main Airlock Door Frames, doors and accessories as per Purchaser's tender documents. Qty. as per tender document.

Tender documents priced Rs. 5/- for item 1, Rs. 10/- each for items at S. No. 2, 3 & 4, Rs. 20/- each for items at S. No. 5 & 6 and Rs. 50/- for items at S. No. 7. and General conditions of contracts priced Rs. 0.50 except for items at S. No. 7 can be had from the Finance and Accounts Officer, Department of Atomic Energy, Directorate of Purchase and Stores, 3rd Floor, Mohatta Building, Palton Road, Bombay-400 001, between 10 a.m. and 1 p.m. on all working days except on Saturdays. Import licence will be provided except for items at S. No. 7 only if the items are not available indigenously. Tenders will be received upto 3 p.m. on the due date shown above and will be opened at 4 p.m. on the same day. The right is reserved to accept or reject lowest or any tenders in part or full without assigning any reasons. davp 645(145)76

Institute, Roorkee, has developed two processes for converting rice husk into use for building materials particularly suitable for low cost housing in rural areas. The first process manufactures a reactive pozzolana based on clay and rice husk. Rice husk and clay mixed together with water are made into balls, which are dried in the sun or ripened in a brick klin. The burnt material which is soft grounded giving pozzolana of various reactivity. This pozzolana in combinations with lime or lime and sand gives economical mortar of plaster material. The second process is the manufacture of a hydraulic binder based on rice husk and waste lime.

Programme for Fodder

The union ministry of Agriculture and Irrigation have extended the mini-kit demonstration programme on fodder crops to eight states from this year. The main objective of this programme is to popularise high yielding varieties of fodder crop for the current Kharif and assess farmers' acceptance of the same. One thousand eight hundred kits have been distributed in Bihar, Orissa, West Bengal, Uttar Pradesh, Rajasthan, Andhra Pradesh, Tamil-Nadu and Maharashtra. The programme is being conducted with the active collaboration of the departments of agriculture in the states. The first mini-kit programme on fodder was started in 1975 in Bihar and Orissa only.

In addition to the mini-kit programme, several other measures have been undertaken to increase fodder production. The seven regional stations for forage production and demonstration are engaged in the production of foundation seeds of improved varieties of fodder crops for further multiplication and distribution by the state agencies and the National Seeds Corporation. During the year 1975-76 over 800 quintals of improved seed varieties of fodder crops were produced by the seven stations.

Fuel Economy in Railways

The Indian Railways have effected overall saving of nearly six crores of rupees during the last year in the consumption of HSD oil and coal. This was disclosed by Mr P.N. Kaul, Member Mechanical, Railway Board at a meeting of the Institution of Mechanical Engineers held recently.

Mr Kaul said that keeping in view the worldwide requirements for consumption of energy, the Indian Railways have set the trend by improving their performance as regards energy consumption. During the year the actual consumption of HSD oil and coal improved by 3.3 per cent. Mr Kaul added that with the improved methodology railways carried an additional 13.2 per cent of traffic with only 4.2 per cent increase in consumption of HSD oil and coal over 1974-75 level.

World Steel Output

Raw steel production in June 1976 in the 29 member-countries of the International Iron and Steel Institute rose by 10.2 per cent to 37,684,000 tonnes from 34,204,000 tonnes in June 1975. An increase of only 0.7 per cent was, however, registered in production for the six months of 1976 over the same period last year. The cumulative total for the first six months of 1976 was 222,035,000 tonnes against 220,578,000 tonnes for the same period of 1975. Compared with June 1975, production in June 1976 rose by 32.3 per cent in the USA, 28.3 per cent in the UK, and by 3.8 per cent in the six original countries of EEC.

Production fell by 2.6 per cent from 56,843,000 tonnes in January-June 1975 to 55,377,000 tonnes in the first six months of 1976 in the Community of the Six, rose by 5.4 per cent from 10,936,000 tonnes to 11,524,000 tonnes in the UK (calculated by IISI on a calendar month basis), increased by 3.9 per cent from 57,789,000 tonnes to 60,040,000 tonnes in the USA, and dropped by 2.3 per cent from 51,905,000 tonnes to 50,793,000 tonnes in Japan. Other member countries recorded a 2.9 per cent increase from 43,105,000 tonnes to 44,355,000 tonnes. Estimated Indian production figures showed an increase of 19.4 per cent from 3,714,000 tonnes to 4,433,000 tonnes. The 29 countries account for an almost 68 per cent of the 1975 world raw steel production.

Rising Exchange Reserves

India's foreign exchange reserves are rising at a fast rate, on an average of Rs 50 crores a week. They stood at the record level of Rs 1,711 crores (provisional) during the week-ended June 18, 1976. The reserves were at the level of Rs 632 crores in 1974-75 during this period of the year and at Rs 1,518 crores in 1975-76. The reserves rose gradually to Rs 1,327 crores in April last and Rs 1,656 crores on June 11 last. The nearly three-fold increase in reserves compared to those of 1974-75 is mainly attributed to increased inward remittances by Indians abroad, under various liberalised schemes and encouraging export trends.

Names in the News

Mr **H.C. Kothari** has been elected President of Hindustan Chamber of Commerce, Madras, for the year 1976-77. He is the Managing Director of Kothari (Madras) Ltd dealing with textiles, sugars, fertilisers, chemicals, etc. He is also the director of several leading industries. He is connected with several trade associations and was former Sheriff of Madras.

Mr. H. C. Kothari

Mr **Santosh Kumar Roy**, former West Bengal minister for refugee rehabilitation, relief and welfare has been appointed as the new chairman of the Jute Corporation of India.

Mr **T.R. Varadachary**, managing director of the State Bank of India, has been appointed chairman of the bank for the period commencing August 4, 1976 and ending on February 28, 1977, says an official announcement from the department of banking. Mr Varadachary succeeds Mr R.K. Talwar.

COMPANY AFFAIRS

Indian Dyestuff

INDIAN DYESTUFF Industries Ltd has reported substantial improvements in its working results during the year-ended March 31, 1976. Sales recorded an impressive rise to Rs 33.35 crores from Rs 21.24 crores in 1974-75 while the gross profit nearly doubled to Rs 4.89 crores from Rs 2.68 crores in the preceding year. The directors, besides declaring the usual dividend on cumulative redeemable preference shares have recommended a dividend of Rs 16 per equity share. The company has received the consent of the Controller of Capital Issues to issue 150,000 bonus equity shares of Rs 100 each. A sum of Rs 1.50 crores was capitalised out of the general reserve and bonus shares were accordingly issued to the shareholders during the year under review.

Vat Dyes Project

The company has dropped the proposal for the manufacture of phthalic anhydride as the project will not be an economically viable proposition in the present circumstances. It, however, has received an industrial licence for expansion of vat dyes manufacture from 625 tons to 825 tons per annum and also a letter of intent for expanding the manufacture of reactive dyes from 180 tons to 600 tons per year. The company is making satisfactory progress in the implementation of the industrial licence for the manufacture of 500 tons of pigments annually. The capital cost of these expansion programmes is proposed to be financed partly from the internal sources of the company and partly from other sources. Meanwhile the directors have put forward a proposal for issuing 150,000 equity shares of Rs 100 each as rights shares at a premium of Rs 100 per share in the proportion of one rights share for every three existing equity shares. The proposal is, however, subject to the approval of the Controller of Capital Issues.

Larsen and Toubro

Larsen and Toubro has maintained its proud record of uninterrupted progress, expansion and diversification during the year-ended March 31, 1976 as well. The company closed the year with sales and profitability better than ever. L & T group, for the first time, crossed the Rs 1,000 million mark, reaching a sales figure of Rs 1128 million as against Rs 934 million in the previous year.

The pre-tax profit of Larsen & Toubro went up from Rs 60.4 million in 1974-75 to Rs 86.2 million in 1975-76, an increase of as much as 43 per cent. Increased production at the Powai Works and careful management of its financial resources made it possible for the company to improve its profitability. The directors have proposed a dividend of Rs 1.80 per equity share for 1975-76. Besides, the directors have recommended capitalisation of Rs 3.84 crores by the issue of 38,44,224 equity shares of Rs 10 each in the proportion of one for every two equity shares held. The bonus shares will be eligible for full dividend for the year ending March 31, 1977.

Another First

During the year the company handed over the second nuclear reactor vessel to the Madras Atomic Power Project. It also manufactured and supplied for the first time in the country suspended particles drying plants for titanium dioxide and tile clay. Another "first" is the manufacture of a high speed bottling plant with a capacity of 24,000 bottles per hour, for the Delhi Milk Scheme. Three more plants of this capacity will be delivered shortly. Besides the company has booked valuable orders for the supply of plant and equipment to various fertiliser units, "end shields" for the Narora Atomic Power Project, and large crushers, mills and kilns for the cement industry.

During 1975-76 the company was able to make headway in spite of world-wide recessionary trends and strong competition in the international markets. The company's export sales, including sales under IDA credits, reached Rs 3.2 crores in 1975-76 as against Rs 2.1 crores in the preceding year.

The L & T's subsidiary and associate companies also fare extremely well during the year under review.

ITC

The year ended March 31, 1976 was one of record achievements and commendable performance for ITC Ltd. During the year, the company's turnover reached Rs 360 crores and profit before tax touched Rs 9.43 crores, both of which were the highest so far achieved. The net profit for the year, after meeting all expenses and charges and providing for taxation, amounted to Rs 3.81 crores. After transferring Rs 4.50 lakhs to development rebate reserve and making other adjustments, the disposable surplus worked out to Rs 3.83 crores. After appropriating Rs 64,964 to capital reserve, Rs 87.75 lakhs to general reserve and Rs 10 lakhs to debenture redemption reserve, the balance amounted to Rs 2.84 crores. The directors have recommended a final dividend of 15 per cent. It will absorb Rs 2.84 crores and will be paid on or after September 25, 1976.

Rapid Progress

The cigarette business, which is still its main business and will remain so for a long time to come, is now being carried on by the company's India Tobacco Division. Again, this is the first year in which the former sister concern of ILTD is operating as the ILTD division of the company. During the year, rapid progress was made by the company in the development of flue cured virginia tobacco production in the states of Karnataka and Andhra Pradesh. This production programme is directed towards production of better tobacco which will not only further improve the quality of the company's products but also help in the promotion of exports. ITC's exports of unmanufactured tobacco during 1975-76 amounted to Rs 25.08 crores.

The Hotel Chola is now fully operational and was able to achieve satisfactory occupancy. Hotel Mughal at Agra is expected to receive its first guests in October 1976. Hotel Maurya at Delhi will be ready by the winter of 1977.

ITC has promoted a new enterprise styled the Bhadrachalam Paperboards Ltd which is setting up a paper and board mill at Bhadrachalam, a backward district of Andhra Pradesh and the company's investments in this new unit is expected to be of the order of three crores of rupees.

The company has received the central government's permission to purchase with effect from April 1, 1975 the net assets in India of ILTD and this is expected to strengthen ITC's business viability.

TEXMACO—WBIDC Tie-up

West Bengal Industrial Development Corporation Ltd, (WBIDC) has entered into a joint sector collaboration agreement with Texmaco Ltd, Calcutta, for setting up a factory for the manufacture of special alloy steel strips. Under the agreement, WBIDC will provide 26 per cent of the equity share capital while Texmaco Ltd will contribute 25 per cent. The balance will be offered to the public. A separate public limited company, West Bengal Alloy Steels Ltd, has already been incorporated to implement this project in Purulia district. The estimated cost of the project is around Rs 40 crores. Technical know-how will be supplied by a reputed firm of West Germany.

GSFC

Gujarat State Fertilizers Co Ltd has made commendable progress during the nine-month period ended December 31, 1975. Sales increased to Rs 88.20 crores, leaving a net profit of over Rs 9.52 crores. The renovation and diversification programmes of the company are also making satisfactory progress. The new urea reactor has already been installed, the ammonia III plant of the Department of Atomic Energy has already gone into production and the installation of the new reformer tubes is expected to be completed in next September. The projects under the diversification programme are under

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different stages of progress and the company's request for doubling the capacity of the caprolactum plant is under active consideration of the government.

Besides a company styled Gujarat Narmada Valley Fertilizers Company Limited has also been registered for the implementation of the new fertilizer project to be set up near Broach at a cost of Rs 225 crores.

The company had spent over Rs 4 crores for effluent purification and for abating pollution from gases. It had undertaken an extensive programme of research in the field of pollution control, agronomy, recovery of useful products from waste and new process development.

Syndicate Bank

The Marginal Farmers and Agricultural Labourers Scheme has been introduced by the government of India during 1970 in selected districts in the country. In some districts SFDA was introduced while in some districts MFAL was implemented depending upon the preponderance of the small farmers or the marginal farmers and the agricultural labourers. Various academic institutions have been entrusted with the job of undertaking independent research studies to assess the impact of the MFAL or SFDA schemes. Syndicate Bank is the only bank in India which has been entrusted with the task of undertaking a study of this nature. A research grant for conducting the study in South Kanara district, has been given by the government of Karnataka last year. The field survey was undertaken by the Economic Research Department of Syndicate Bank by selecting 80 villages in Udupi and Coondapur taluks in South Kanara district.

Tata Chemicals

Sales, inclusive of excise duty, of all products of Tata Chemicals amounted to Rs 36.19 crores during the year ended June 30, 1976 and it exceeded the turnover of the preceding year by Rs 3.81 crores (11.8 per cent). Among the company's major products the output of soda ash during the year at 307,803 tonnes was higher by 13,635 tonnes (4.6 per cent) over the previous year.

Indian Cable

The Indian Cable Company Ltd (INCAB) has reported impressive progress during the year ended March 31, 1976. Export sales touched the peak figure of Rs 3.56 crores, recording a handsome rise of 22 per cent over 1974-75 while sales jumped to Rs 36.33 crores and it outstripped the previous year's performance by as much as Rs 6.24 crores or 21 per cent. The profit before providing for taxation but after allowing for depreciation too was appreciably higher at Rs 3.37 crores as compared to Rs 2.85 crores in the preceding year. Out of the year's profit the directors have transferred a sum of Rs 1.16 crores to general reserve. The directors have proposed a dividend of 14 per cent which will absorb Rs 88.04 lakhs. In 1974-75 the company declared a dividend of 17.5 per cent, claiming Rs 82.54 lakhs.

News and Notes

Indigenously manufactured automatic power factor control panels are now available for industries in the country. **Larsen & Toubro Limited (L&T)** has developed this new product to meet the growing need for reliable control of power factor in factories. The automatic power factor control panel reduces maximum demand and improves the efficiency of power consumption. The use of the panel helps to reduce power bills for the consumer.

Chloride India Limited has declared an interim dividend of Rs 0.80 per share on the equity share capital of the company for the year ended August 31, 1976. The dividend will be paid to shareholders whose names appear on the register of members on August 7, 1976.

The Calcutta Electric Supply Corporation Ltd has declared an interim dividend on the company's ordinary stock for the year ended March 31, 1976 at the rate of six per cent (gross). The payment will be made on September 6, 1976 after deduction of tax to those stockholders whose names are registered in the company's stock register on August 9, 1976.

Escorts Ltd has decided to pay an interim dividend of eight per cent for the year ending December 31, 1976. For the year 1975 the company paid a total dividend of 12 per cent.

The Architecture and Town Planning Department of the **Heavy Engineering Corporation, Ranchi**, a government of India undertaking, has been awarded the job of drawing the Master Plan for the expansion of the Lalit Narayan Mithila University at Darbhanga, set up recently. The department will design all the buildings of the university to be constructed over the next two five-year plan period. A similar contract was signed in June with the Bihar University, Muzaffarpur in which all jobs pertaining to design were entrusted to the same department. It may be mentioned that the Architecture and Town Planning Department has been rendering consultancy services for a decade to various public sector undertakings and autonomous bodies such as M/s. Vishakhapatnam Port Trust, M/s. Modern Bakeries (India) Ltd, Ranchi University, Central Coalfields Ltd and National Institute of Technology (a UNDP Project).

The first reclaimed rubber unit in Gujarat is being set up at Ankleshwar. The Rs 79 lakh project in the backward district of Broach is being implemented with financial assistance from **Gujarat Industrial Investment Corporation Ltd. (GIIC)** in consortium with other financial institutions. Besides a fair employment potential, other salient features of the project include a minimum import component of about Rs 4 lakhs. The project with installed capacity of 2400 tonnes per annum is scheduled to go into trial production by July 1978 with commercial production slated for September 1976. At a recent meeting of the board of director of GIIC it has been decided to provide necessary underwriting support to the equity shares of the proposed unit besides other financial assistance.

New Issues

Narendra Explosives will be entering the capital market shortly with a public issue of Rs 80 lakhs. The proceeds will be utilised to meet a part of the cost of Rs 4 crore industrial explosives project which is being set up at Lalitpur, a backward district of Uttar Pradesh. The company holds a licence for manufacturing annually 10,000 tonnes of industrial explosives, detonating fuses, gun powder and safety fuses. Gun powder and safety fuses are already being manufactured at the company's Dehra Dun factory. The company has entered into a technical collaboration agreement with the well-known West German firm of Josef Meissner, Koln. The requisite licence for the import of capital goods has been obtained.

New Registrations

Two hundred and sixty-one companies were registered in India under the Companies Act during March last as compared to 232 in the previous month.

Out of these, 256 were registered with limited liability and five with unlimited liability.

The total authorised capital of the new companies registered in March amounted to Rs 82.47 crores as against Rs 41.46 crores in February last.

Of the new registrations, 15 were government companies with an authorised capital of Rs 61 crores. Among the 246 non-government companies, 24 were public limited companies and 222 private limited with an authorised capital of Rs 9.62 crores and Rs 11.85 crores respectively.

The largest number of companies registered during the month—141—fell under the broad industrial group of processing and manufacturing. The highest number of new registrations — 72 — was reported from Maharashtra followed by Delhi with 39.

Twenty companies comprising four public limited and 16 private limited ones, with a total paid-up capital of Rs 45.03 lakhs were reported during March, 1976 to have ceased functioning either by going into liquidation or by being struck off under Section 560 (5) of the Companies Act.

Capital and Bonus Issues

Consent has been granted to eight companies to raise capital of over Rs 14 million. The details are as follows:

M/s Dai-Ichi Karkaria Private Limited, Bombay, have been accorded consent, valid for three months, to capitalise Rs 2 million out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every two equity shares held.

M/s Jindal Aluminium Limited, Bangalore, have been accorded consent valid for three months, to capitalise Rs 1,110,900 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio seventeen bonus shares for every twenty equity shares hold.

M/s Trading Engineers (International) Pvt Ltd, have been accorded consent, valid for three months to capitalise Rs 1,067,500 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every one equity share held.

M/s Indian Vegetable Products Limited, Bombay, have been accorded consent, valid for six months to capitalise Rs 1,016,400 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every four equity shares held.

M/s The Boots Company (India) Ltd, Bombay, have been accorded consent, valid for six months to capitalise Rs 7,750,000 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for every equity share held.

M/s Micro Abrasive (India) Private Limited, New Delhi have been accorded consent, valid for six months to capitalise Rs 260,000 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for each equity share held.

M/s Geeta Iron & Brass Works Private Limited, Bajuva, Dt. Baroda, have been accorded consent, valid for six months to capitalise Rs 360,000 out of its general reserve for making 8,000 partly paid equity shares fully paid of Rs 100 each.

M/s Kurla Engineering Works Private Limited, have been accorded consent, valid for six months to capitalise Rs 450,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for each equity share held.

Dividend

(per cent)

Name of the company	Year	Equity dividend declared for This year	Equity dividend declared for Previous Year
Higher Dividend			
Seven Seas Transportation	Dec. 31, 75	10.0*	Nil
Birla Jute	March 31, 76	18.0	16.0
Coorla Spg. & Wvg.	March 31, 76	5.0	3.0
India Cements	March 31, 76	8.0	Nil
Vulcan Laval	Dec. 31, 75	14.0	12.0
Same Dividend			
Ratnakar Shipping	March 31, 76	12.0	12.0
Sirdar Carbonic Gas	March 31, 76	9.0	9.0
Lower Dividend			
Sri Ramakrishna Mills (Coimbatore)	March 31, 76	10.0	12.0
Tata Yodogawa	March 31, 76	5.0	10.0

*Maiden dividend

Industrial production during 1975-76

AT THE 27th meeting of the Central Advisory Council of Industries held in the capital on July 27, 1976, Mr T.A. Pai, the union minister for Industry and Civil Supplies, reviewed the various steps taken by the government in the past year which have brought about an upsurge in industrial production. An official handout listing the attainments of each major sector of industry was made available at the meeting. It is given below in full along with another review prepared by the DGTD, in the ministry of Industry and Civil Supplies, regarding the long-term and short-term measures to conserve the various forms of energy.

High Growth Rate

According to the provisional figures of the general index of industrial production, the growth rate of industrial production during the first 10 months of 1975-76 (April-January) was 4.5 per cent as against only 2.2 per cent during the same period last year. There was a substantial acceleration of the rate of growth of industial production since the second quarter of 1975-76. Industrial production during the seven months since July 1975 increased by nearly six per cent as against by only 0.7 per cent during April-June 1975. The rate of growth would have been still higher but for the decline in certain sectors, for example cotton textiles, tobacco, automobiles etc.

A number of crucial industries have shown a substantial increase in production during 1975-76 over the previous year. Such industries include, among other things, saleable steel, coal, electricity, non-ferrous metals, fertilizers and cement. Consumer items such as sugar, vanaspati, soap, scooters and razor blades also recorded a significant rise in production.

Significant Feature

Another significant feature of industrial production during 1975-76 was the remarakable increase in the production of central public sector undertakings. The weighted average rate of growth for these public sector undertakings as a whole outside the NTC Mills was about 15.7 per cent in real terms during 1975-76 compared with the previous year. Some of the undertakings falling under the purview of the ministry of Industry and Civil Supplies which recorded impressive increases in production are :

Bharat Ophthalmic Glass Ltd (+164 per cent), Hindustan Cables (+52 per cent), Hindustan Photo Films (+66 per cent), Instrumentation Ltd (+45 per cent), Bharat Pumps and Compressors (+165 per cent), Bharat Heavy Electricals Ltd (+33 per cent), Hindustan Machine Tools (+37 per cent) and Cement Corporation of India (+28 per cent in physical terms). Undertakings whose management have been taken-over by the government such as Indian Standard Wagon, Richardson and Cruddas, Gresham and Craven, and Jessops and Company also recorded significant increase in production.

General Review

A review of production in major sectors is given in the following paragraphs:

(i) *Steel, Coal and Electricity*: Production of saleable steel from the integrated plants during 1975-76 amounted to 5.8 million tonnes showing an increase of nearly 18 per cent over 1974-75. Capacity utilisation in the main plants showed a considerable improvement during the year under review. Capacity utilisation at TISCO and Bhilai has continued to operate at above 90 per cent. Capacity utilisation at IISCO, Durgapur and Rourkela was also substantially higher. The Alloy Steel Plants, Durgapur recorded a production of 46.8 thousand tonnes during 1975-76 which was higher by 28 per cent over 1974-75. Another remarkable feature of the year 1975-76 was that the Bokaro Steel Plant commenced production from July 1975 and its contribution to the total steel production during the year was of the order of 150 thousand tonnes. Production of coal (including lignite) during 1975-76 reached 102.7 million tonnes representing a growth of nearly 12 per cent over the previous year. Electricity generation recorded an increase of nearly 13 per cent during 1975-76 over 1974-75.

(ii) *Non-ferrous metals:* Production of aluminium during 1975-76 was estimated at 187 thousand tonnes representing a rise of nearly 48 per cent over the previous year. Production of blister copper during 1975-76 amounted to 23.9 thousand tonnes which was higher by nearly 51 per cent over 1974-75. A significant development in the field of copper was the commissioning of the Khetri Copper Smelter towards the end of 1974 and the share of this project during 1975-76 was of the order of 9.2 thousand tonnes. Production of zinc during 1975-76 amounted to 27.8 thousand tonnes showing a rise of nearly 20 per cent over 1974-75.

Fertilisers Production

(iii) *Fertilisers*: Production of nitrogenous fertilisers during 1975-76 amounted to 1535 thousand tonnes representing a rise of nearly 29 per cent over the previous year. Production of phosphatic fertilizers amounted to 320 thousand tonnes which showed a decline of two per cent over the previous year. Among fertiliser plants, those at Trombay, Nangal, Namrup and Madras showed a high capacity utilisation during 1975-76 compared with the previous year.

(iv) *Cement and Newsprint:* Production of cement during 1975-76 reached a level of 17.2 million tonnes showing a rise of 17 per cent over the previous year. Production of newsprint on the other hand amounted to nearly 52.9 thousand tonnes showing a decline of two per cent over the previous year. The lower production at the NEPA was on account of inadequate supply of power and steam from the Chandani power station and the teething troubles of the newly commissioned bamboo pulping plant.

Industrial Machinery

(v) *Industrial Machinery*: Production data in regard to selected industrial machinery have shown an increase in the production during April-January 1975-76 in respect of the following items—boilers (28.8 per cent), paper and pulp machinery (57 per cent), sugar mill machinery (20 per cent), and diesel engines (stationary) (28 per cent) over the corresponding period of 1974-75. On the other hand, production of cement mill machinary showed a decline of 48 per cent in the same period.

(vi) *Electrical Machinery*: Among the important items of electrical machinery, production of power transformers, aluminium conductors and storage batteries showed an increase of 10 per cent, 91 per cent and five per cent respectively during April-January 1975-76 over the corresponding period of the previous year. On the other hand, production of electric lamps showed a decline of three per cent, electric motors of two per cent and electric fans of three per cent during the same period.

(vii) *Chemical Products:* Among major items of chemicals, production of soda ash, caustic soda, liquid chlorine and calcium carbide showed an increase of nearly six per cent, seven per cent, 12 per cent and five per cent respectively during April-January 1975-76 over the corresponding period of the previous year. There was also increase in the output of synthetic fibres like nylon filament yarn (29 per cent), polyester fibre (69 per cent) and viscose tyre cord (21 per cent) during the same period.

(viii) *Transport Equipment*: Production of commercial vehicles during 1975-76 amounted to 43.7 thousand numbers showing an increase of over seven per cent over the previous year. Similarly, production of scooters recorded an increase of nearly 26 per cent and that of diesel engines (vehicular) of nearly 46 per cent. On the other hand, production of jeeps recorded a decline of nearly 26 per cent and cars 31 per cent.

Consumer Items

(ix) *Consumer items:* Among consumer items production of cotton cloth in the mill sector during 1975-76 amounted to 4074 million meters showing a decline of nearly eight per cent over 1974-75. Production of cotton yarn at 1006 million kgs recorded a decline of nearly two per cent over the previous year. Production of sugar during the last sugar season (October-September) amounted to 48 lakh tonnes which was higher by nearly 21 per cent compared with the previous year. Production during the current season upto March 1976 was 37.3 lakh tonnes compared with about 38 lakh tonnes during the corresponding period of the last season. Production of vanaspati amounted to 4.9 lakh tonnes showing a rise of nearly 38 per cent over the previous year. Production of other essential items like soaps, baby food, footwear (rubber and leather), scooter tyres, and razor blades also recorded a significant increase in production.

Crucial Sector

As the foregoing account would show, the performance of the crucial sectors of the industry during 1975-76 had been very satisfactory. However, there are also certain sectors of industry where production was either sluggish or showed a decline. Among these mention may be made of automotive sector, cotton textiles, certain consumer durables, certain construction related industries and some plastics. In certain industries, particularly consumer goods, there is evidence that production in the small scale sector has increased and total availability of these products has not been affected. In order to get over the difficulties of these industries, government has taken a series of measures.

The restrictions on construction have been lifted and government have allocated funds to the Housing and Urban Development Corporation (HUDCO) for additional investment in residential construction. Funds have also been allocated for the purchase of transport vehicles. Facilities for diversification of production and replacement of obsolete equipment have been announced. The rehabilitation of units which need assistance has been given importance through an allocation of funds to the IDBI (including additional rediscounting facilities). In the field of textiles, exemption has been given to weaker and sick mills from the obligation to produce controlled cloth. The measures announced in the budget proposals for 1976-77 are further intended to stimulate production in certain affected sectors.

An important aspect of industrial progress in the country is the growth of the small-scale sector. The small industries now produce a wide range of items both engineering and non-engineering. In a number of industries such as leather products, metal products, non-electrical machinery and electrical appliances the small-scale sector has recorded a substantial increase in production during the recent years.

Good Prospects

Prospects for 1976-77 : On the current reckoning prospects for industrial growth for 1976-77 have considerably improved in comparison with the last two years. With the increase in the production of basic inputs as well as agricultural raw materials supply situation in regard to inputs of industrial production is satisfactory. Although it is not possible to make a conjecture on production of agricultural raw materials during 1976-77, according to the present indications, we do not expect any shortage of raw materials. Simplification of procedures in regard to industrial licensing, facilities granted for diversification of production and maximisation of capacity utilisation and facilities for imports given for select and non-select industries in the import policy for 1976-77 are expected to stimulate further the industrial growth. As indicated by President, Mr Fakhruddin Ali Ahmed at the recent annual general meeting of Associate Chamber of Commerce and Industry, the rate of industrial growth should be raised to eight to ten per cent so as to facilitate an increase in the national income and generate new employment opportunities.

Measures to conserve energy

Energy Conservation as applicable to Industrial Undertakings: Till recently, energy was relatively less expensive and its availability was easy and this has perhaps encouraged some wasteful and inefficient practices in its utilisation. Diagnostic surveys organised by DGTD Energy Conservation Division have revealed the scope for achieving—even in the short term—a saving of 5-10 per cent in energy consumption through maximisation of efficiency of utilisation of energy and, in some cases, saving of even larger dimension through long term measures. Apart from the vital aspect of energy conservation, there are cost reduction possibilities in industrial production through adoption of the concepts of norms of economy and optimum efficiency applicable to specific industries or process operations. As industry is the largest consumer of energy and the incidence of the cost of energy input in the costs of industrial production varies from 10-30 per cent, depending upon the nature of the industry and the energy consumed, this aspect too is significant.

Energy Management

Energy management strategies and action plans, at national level as well as unit level and as a collective effort as well as individual effort, geared to these objectives are, therefore, a matter of close concern to industry. Like R & D, energy conservation has to receive special priority and continuous commitment both at the executive and at the shopfloor level in industry, with responsibilities commencing right from the stage of determining the parameters of project feasibility in terms of selection of production technology, equipment, the form of energy itself and of project location, to the various stages of industrial operations such as efficient upkeep of equipment installed, close vigilance on the efficiency of plant maintenance practices and of energy utilisation, sound and timely investment decisions on acqusition of energy-saving equipment and related actions.

National Fuel Policy

The Fuel Policy Committee has recommended an outline of the long-term national fuel policy and identified the measures and agencies necessary for promoting the best utilisation of available energy resources and achieving optimum efficiency in the use of various forms of fuel. Under the framework of the integrated approach to energy planning and management outlined by this committee, the special framework of conservation strategies in terms of Furnace Oil and Coal outlined by the Standing Committee on Furnace Oil set up by the ministry of Petroleum and the general policies in respect of electrical energy conservation, the following guidelines for energy conservation should be kept in view by industry as part of the guidelines for industrial promotion, development, growth and maintenance:

(a) *At the stage of formulation and consideration on project proposals*:

Coal, as a plentiful national resource, should constitute the principal source of commercial energy in industry. It is therefore, essential that industrial projects are specifically planned right from the conceptual stage for the use of this energy; wherever there is no technological compulsion for basing the project on other fuels. This is particularly important in respect of the projects envisaged for location in states such as West Bengal, Bihar, Orissa, Assam, Madhya Pradesh and Andhra Pradesh where coal is produced or available easily.

Even in regard to coal, the energy planning for the project should be oriented to specific grades of coal which are more plentiful, with stress thus on conservation of superior grades of coal which are in short supply.

Where the use of coal as a direct fuel is not considered desirable, use of producer gas should be considered. For very high temperature duties secondary fuel support through furnace oil is a possibility.

Advance Consultation

In the context of above, advance consultations and sustained interaction between the project promoters and the agencies concerned with coal mining, coal transportation and R & D efforts in coal, designs and engineering consultancy organisations, industry concerned with equipment design and manufacture and DGTD would be useful. DGTD Energy Conservation Division and Coal India Limited are organised to counsel and assist entrepreneurs.

Use of the furnace oil either for steam generation or for heating and firing the furnaces is discouraged as a matter of policy except in cases of technological inability for using other forms of energy such as coal or producer gas. Industrial proposals should, therefore, bring out clearly the specific rationale supported by technological documentation for the imperativeness of the use of furnace oil.

Where the use of furnace oil is envisaged on short term basis, the proposals should indicate a time bound programme for switching over to alternate fuels.

Prior Clearance

As the supply of furnace oil by the oil companies is governed by the necessity for prior clearance of the Standing Committee on Furnace Oil, entrepreneurs are advised to consult DGTD Energy Conservation Division well in advance of taking project investment decisions relating to the use of this form of energy.

In regard to projects which are envisaged for location in Gujarat, Maharashtra and Bihar and which, on technological grounds, must perforce be based on fuel oil, the possibilities of utilisation of LSHS (Low Sulphur Heavy Stock) fuel oil as an alternative to furnace oil should be kept in view and the installation of heating devices for easy decantation and handling of this fuel should be planned in advance. Oil companies or DGTD Energy Conservation Division may be consulted on this matter.

Use of LPG as industrial fuel is to be avoided in terms of government policy. It is particularly discouraged for welding, gas cutting and other minor industrial uses for which alternate fuels are available. Where the use of LPG is considered imperative, prior clearance from the ministry of Petroleum through DGTD Energy Conservation Division should be obtained at the time of seeking approval of the industrial proposals, with indication of full details of the specific process operations which necessitate its use.

For minor and low-heat duties. the projects should plan for in-situ generation and use solar energy and biogas as an alternative to kerosene and LPG, wherever feasible.

As part of the investment decisions relating to the ordering of the project process equipment, there should be careful selection of appropriate energy-efficient combustion systems such as boilers and burners. designs of industrial furnaces and energy-metering and monitoring devices, reliable instrumentation and energy-recovery/recycling devices, with stress on the avoidance of the use of over-sized equipment based on electrical energy.

Process Industries

In industries, particularly process industries, which account for the energy consumption of substantial magnitude, pre-selection of process technology as well as total equipment should be on the basis of optimum energy balance with reference to input and output of energy. Proposals for foreign collaboration should, in particular, be critically examined in light of this objective. DGTD Energy Conservation Division in conjunction with National Productivity Council is organised for rendering technical assistance. Among the measures for reduction of demand for electrical energy from public supply system, adoption of the "total energy concept" in industries whose process steam requirements are fairly large, whereby steam can be produced at higher pressure and partly converted into electrical energy for captive use is a possibility. This may be particularly useful in the case of industrial projects located in close proximity to each other. However, before ordering equipment for this purpose, the prior approval of the ministry of Energy through DGTD Energy Conservation Division may be obtained. The National Productivity Council may be consulted if technical assistance is needed.

Financial institutions, industrial development corporations, industrial consultancy organisations and, in the case of small scale sector, the Industries department of state governments have a vital role to play and these agencies must, where required, strengthen their counselling and appraisal mechanisms so as to enable the project promotor to have the benefit of prior and clear advice on energy matters before irrevocable investment decisions are taken.

(b) *At the stage of plant operation and maintenance*:

As a matter of corporate policy, the industrial enterprises should set up, wherever possible, a purposive in-house Energy Audit Cell or have this responsibility assigned to a specially designated executive so that decisions on energy selection, its purchase, its optimum utilisation and its recycling possibilities are fully coordinated and harmonised in an inter-linked chain of decisions with due regard to the requirements of production processes. There should be close technical and shopfloor level support to this mechanism.

A dossier should be maintained on the operational parameters and the performance efficiency of the various items of energy-equipment installed in the plant and short-term and long-term action plans for their modification or modernisation or replacement should be prepared and implemented with required financial sanction support.

In the case of projects already commissioned on the basis of the use of furnace oil (as distinct from LSHS fuel oil), there should be a reappraisal on the part of the management leading to switchover to coal or producer gas with a time-bound plan and decisions and clearnees required for implementation of this programme should be considered on priority. Specific proposals may be submitted through DGTD Energy Conservation Division.

Norms of energy utilisation per unit of output in relation to other comparable projects in identical industries should receive continuous management attention for their improvement. National Productivity Council and DGTD Energy Conservation Division may be consulted if technical assistance is needed. In the case of industrial furnaces, rationalisation of their sizes and limiting the range of their size diversity is a recognised method of energy conservation. To this end, the modifications in furnaces should receive close attention during the period of repair or renovation.

Special attention should similarly be focussed on efficiency of maintenance of energy-consuming systems and of energy-monitoring devices including instrumentation, on their periodic calibration for accuracy on efficiency of waste, heat recovery and condensate return, and quality of furnace refractories and insulation.

Periodic refresher course or training programmes should be arranged, with the help of energy specialist agencies like the Petroleum Conservation Action Group and the National Productivity Council, at least once a year, to the shopfloor personnel concerned with the supervision, operation and maintenance of furnaces, boilers, burners and other systems in regard to the latest techniques of efficient operation and maintenance of such equipment.

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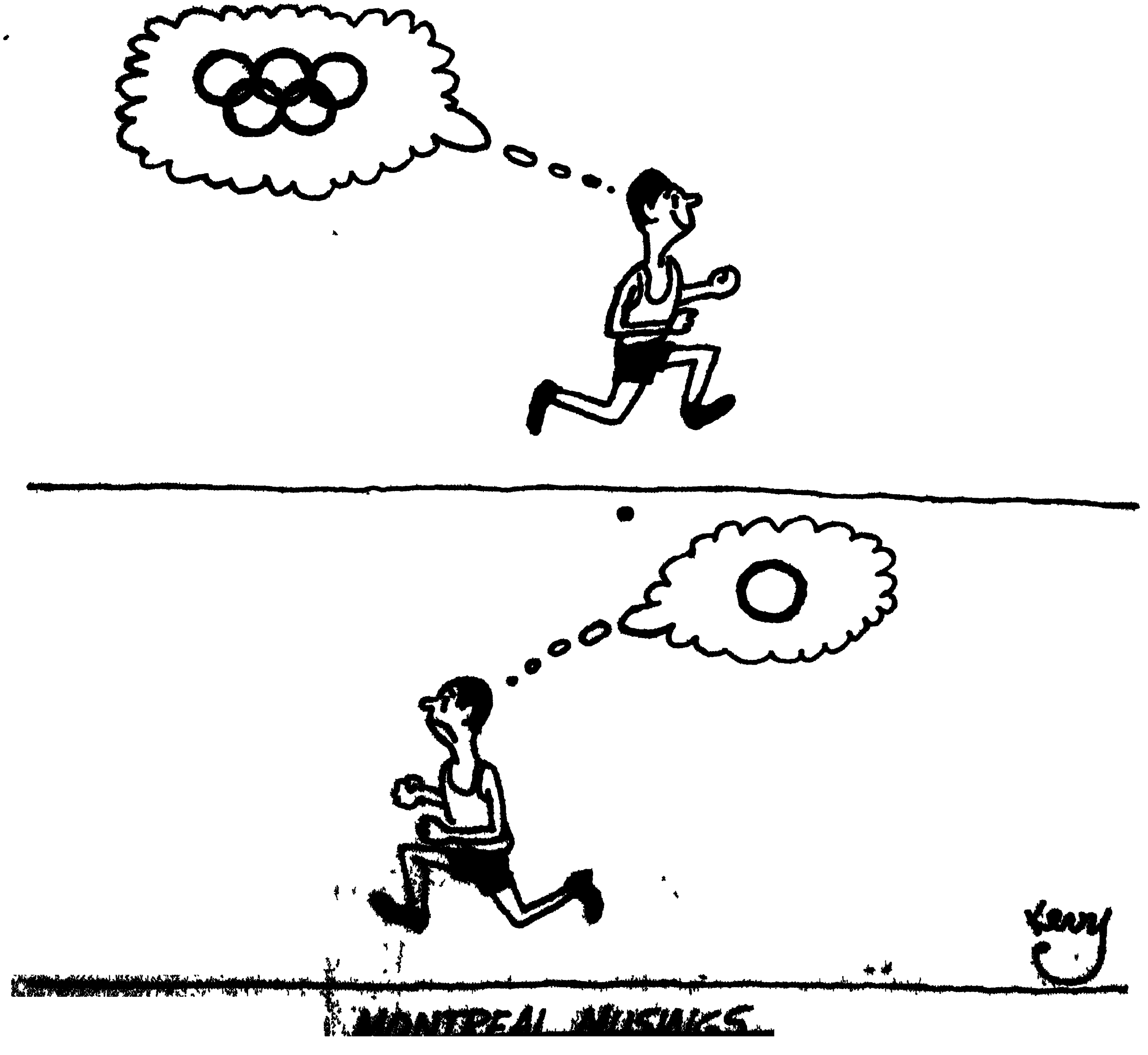

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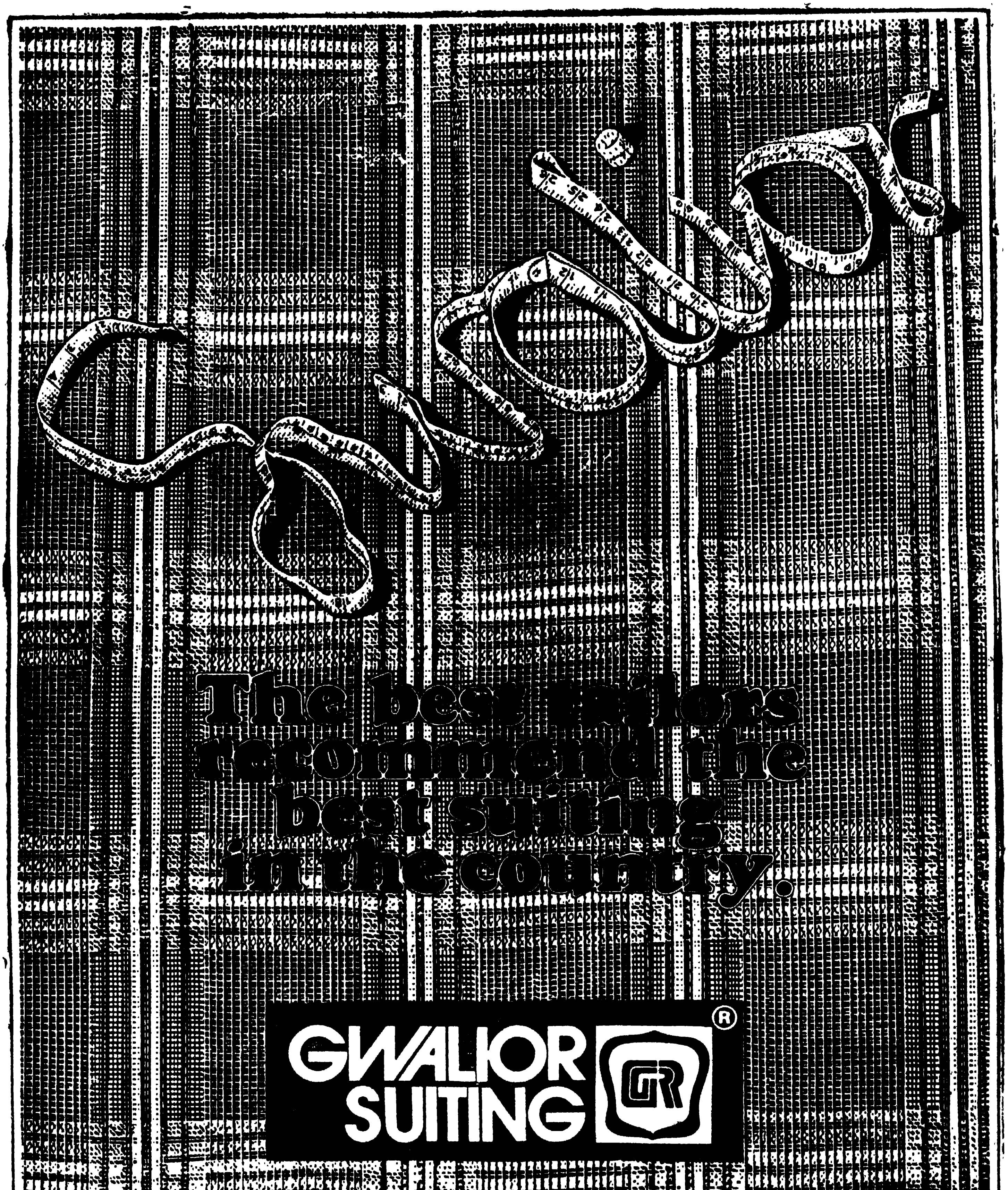
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Prevention is better than cure

THE PROBLEM of sick units has been engaging the attention of the union ministry of Industry for some time. Now that the curve of industrial growth has taken a hopeful upward turn, it is necessary to correct the retarding influence of units which have fallen on evil days. Mr T.A. Pai, the union minister for Industry needs to be congratulated for having conferred recently with representatives of financial institutions, trade unions, the Federation of Indian Chambers of Commerce and Industry, the Associated Chambers of Commerce and others to explore ways and means for not letting industrial units become sick in the first instance. Prevention is certainly preferable to cure which, in the words of Mr Pai, will land the government in arranging the management of "hospitals for sick units".

But before any machinery can be devised to tackle this problem, two basic questions will need to be explicitly answered : by what criteria is a unit to be deemed sick and what steps need to be taken (and by whom) to put it on the path of economic recovery? Any single indicator will hardly be found sufficient to spot the sickness of a unit. Even a long list of tests may not suffice and the decision may have to be taken on subjective considerations, though some rough and ready rules of thumb may, in general, be helpful. High debt-equity ratio, liabilities far exceeding assets, fall in production over a reasonably long period, consistent failure to turn out products of good quality, increasing cost of production without possibility of raising the sale price—these are some indications of bad health from which many a unit in this country has suffered at one time or the other and has still recovered and prospered when corrective measures were applied. Sickness itself is a relative term; it is only the most hopeless case which does not respond to any treatment that may be taken over in the state sector. There are business groups which have the managerial skill to turn sick units into healthy ones. It will be worthwhile seeking the assistance of these groups instead of handing over the so-called sick units to the public sector where they become a burden on the exchequer.

At recent seminars on this subject, the protagonists of the public sector have taken great delight in pointing towards a few instances where the owners were turning healthy while the units became sick. The number of such cases is extremely small and it will be unwise to club the whole of the private sector industry with this unhealthy and unscrupulous section. The fact of the matter is that some of the industrial units in recent years have become sick due to the policies pursued by the government or by the state of the economy. Let us take up two industries to explain this point. Before state take-over, many of the cotton textile units had intimated the government that they were not in a position to market the cheap cloth for the masses at a loss. All their pleadings fell on deaf ears and soon they were declared to be "sick". But as soon as the state took over the management of these units, it was realised that they could not bear the burden of selling cheap cloth at a loss. At once, the decision was taken to free them from this liability. Not only that. The units in the private sector which were making losses were also given this relief. Surely, if the government had provided this concession in time, the units would have been spared the pangs of sickness and there would have been no need to make them a part of the public sector.

The second example is that of various consumer durable industries such as the manufacturers or refrigerators, airconditioners, radios, television sets, fans and sewing machines. Here the anti-inflationary measures taken by the government and the state of the economy have combined to scale down demand far below the available capacity in each case. Some of the units do not have warehousing space for the products they are turning out. And they do not have the capacity to hire warehousing space outside the factory because of their inability to mobilise funds for paying excise duty. The banks are not coming forward to provide credit because these units do not fall in the approved category. What is more, these units are not allowed to shut down production because that would swell the ranks of the unemployed. If no steps are taken to mitigate the misery of these units, they will become sick by whatever criterion the government may like to reckon. Surely, these units should be prevented from becoming sick.

And the proposal to set up a quasi-judicial tribunal to declare a particular unit as "sick" is welcome because in that case it will make it obligatory for the financial units including the banks to rush to its assistance. The government also then will need to provide the necessary reliefs in taxes to make the sick unit or units tide over their difficulties. Surely, the banks are pre-eminently suited to the task of monitoring the financial working of a unit to which it has provided credit. It is now for the banks to set up the monitoring cells and strengthen them with competent personnel so that they can refer the border-line cases to the proposed tribunal for timely relief.

In recent years the government has been keen to restrict the activities of big business houses. New entrepreneurs have been encouraged in the name of preventing concentration of economic power in a few hands. But it is this class of entrepreneurs which is incapable of coping with the new challenges. The removal of the management which is responsible to bring sickness to a unit is being recommended in certain quarters but it will also negative some of the recent moves of the government to broadbase the available managerial expertise. Therefore, the extreme step of state take-over should not be taken till other avenues of assisting the unit in distress have been given a fair trial.

Borrowing made easy for government

A MID-TERM review of the development in the current slack season reveals that the banking system is likely to feel quite comfortable in August/October in spite of an unprecedented increase in food credit in the first seven months of the current year, particularly in the last three months. The phenomenal growth in deposits of the scheduled commercial banks and the likelihood of only a small rise in non-food credit before the advent of the next busy season have improved vastly the prospects for borrowing by the central and state governments. The Reserve Bank has indeed been obliged to effect large net sales of central government securities for meeting the needs of banks, provident funds and the Life Insurance Corporation. With depletion of holdings of securities of the Reserve Bank in its banking department and the delays encountered in stepping up planning expenditure, there has in fact been latterly a process of contraction of currency which would have been reflected in a significant reduction in notes in circulation but for the emergence of temporary export surpluses, continuing inflow of foreign balances and expansion of procurement credit.

The increase in deposits of scheduled commercial banks between April 30, 1976 and July 23, 1976 has exceeded all expectations amounting to as much as Rs 1030 crores against Rs 801 crores in the corresponding period in 1975. The growth in working funds has been so phenomenal since the beginning of this year that in the 12 months ended July 23, 1976 deposits have risen by Rs 2,608 crores. As emphasised on earlier occasions, but for the spectacular expansion of food credit by Rs 1,531 crores, the lending institutions would have experienced the problem of employing remuneratively the available resources. It was of course necessary to borrow as much as Rs 739 crores from the Reserve Bank for meeting statutory obligations as non-food credit increased by Rs 1497 crores. Investments could be augmented only to the extent of Rs 460 crores especially as higher cash balances had to be maintained, these rising by Rs 66 crores. But there was evidence of borrowing in excess of requirements as money at call was higher by Rs 86 crores.

process of correction

The process of correction for reducing unnecessary borrowing had started even in the past few weeks in spite of bulging food credit. This procedure was possible as the growth in deposits has exceeded all expectations as stated above. Even with expansion of food credit for Rs 630 crores and an increase in non-food credit by Rs 71 crores, borrowings from the central banking institution could be reduced by Rs 48 crores, and investments in government and approved securities by Rs 269 crores. Cash balances declined by Rs 62 crores. Money at call too dropped by Rs 32 crores indicating that a determined effort was being made to increase investments and reduce borrowings in anticipation of a further strident rise in deposits in the coming months.

In the corresponding period in 1975 (May 2 to July 25) however there was a bigger drop in borrowings of member banks by Rs 279 crores even with a smaller rise in deposits. This was because food credit rose by only Rs 134 crores while there was a contraction in non-food credit by Rs 126 crores. Investments could therefore be increased by Rs 299 crores even with a rise in cash balances and money at call by Rs 64 crores. If food credit had risen of the same order only in the last three months there would have been a big increase in investment and substantial decline in borrowings. What happened in the first half of the last slack season is likely to be repeated in the second half of the current slack season, notwithstanding the fact that the experience in August/October last year was entirely different.

In those three months deposits rose by only Rs 360 crores while non-food credit jumped by Rs 541 crores and food credit by only Rs 27 crores. The borrowings were therefore higher by Rs 160 crores and there was even disinvestment to the extent of Rs 20 crores. There was no significant change in either cash balances or money at call due to full use of fresh resources and borrowing. In August/October this year the happenings may be on entirely different lines. It can surely be expected that fresh additions to deposits will be around even Rs 700 crores. Non-food credit may not rise significantly as sugar stocks will be declining by nearly a million tonnes, resulting in the release of over Rs 150 crores. The cotton stocks are at a low level while inventories in other directions may not reveal any significant rise as exports are being effected at a high rate and fresh imports of edible oils and raw cotton will be moving concurrently into consumption.

rise in credit

In the third quarter of last year there was an increase in finished stocks with many industries and in spite of decline in sugar stocks a net rise in non-food credit was recorded. There was also no decline in buffer stocks of foodgrains as imports were coming in and procurement operations against kharif crops also began quite early. With an increase in plan outlay likely to be reflected in a larger demand for cement, steel, and other items and with bigger exports, non-food credit may increase only modestly. There may be some surprise in respect of food procurement if there was dehoarding of stocks held by farmers and imports against earlier purchases were also received. But with an offtake of around two million tonnes in three months, buffer stocks at the end of October may not be appreciably higher as compared to the end of July.

Even during this month there was contraction in food credit by Rs 38 crores in the fortnight ended July 23. This is an indication that for the time being procurement purchases have been largely completed and there may be fresh arrivals in marketing centres only if it becomes definitely known that the output of kharif crops would again be satisfactory. In any case, the draft on this account may not be more than Rs 100 crores. If this analysis turns out to be correct, as it is likely, the banking system alone will have a surplus of Rs 400 crores to be invested in government securities and bonds or for reducing borrowing from the Reserve Bank. This position will be in strong contrast with the scene witnessed in the latter half of the last slack season. The outlook for borrowing by the central and state governments and public bodies has therefore vastly improved. Even with the floatation of central loan on July 1, 1976 there has been no stringency in money market and rather unusually public bodies have been issuing bonds for sizable amounts. The Kerala and Tamil Nadu Electricity Boards have raised loans for over Rs 12 crores while the Development Corporations have secured over Rs five crores. The state governments have already announced the terms of their loans as there are maturing loans falling due for repayment on August 24.

There will be no need for issuing loans in two instalments as on the last occasion when 10 states mobilised Rs 178.26 crores on September 1, 1975 and 11 states Rs 94.96 crores on September 15, 1975. As there were no maturing loans, the net amount raised was Rs 273.22 crores. With maturing loans in respect of 13 states now outstanding to the extent of Rs 103.50 crores there will have to be cross-borrowing for at least Rs 375 crores. In view of the unsatisfied needs of the Life Insurance Corporation and provident funds and the larger surpluses likely to be at the disposal of scheduled commercial banks, the notified amounts of various loans can easily be Rs 400 crores enabling the states to raise a gross amount of Rs 440 crores with acceptance of subscription up to 10 per cent in excess of the notified amounts. The second stage of borrowing programme of the central government can be completed without difficulty. With deposits in the next busy season likely to increase by Rs 800 crores and the compulsion to invest over Rs 250 crores in government securities and bonds, the targets for borrowing by central and state governments can be easily exceeded. The question is whether the state governments should be helped again to raise Rs 100 crores more before the onset of the 1976-77 busy season.

Policy for sugar export

THE GOVERNMENT of India is understood to have decided to slow down the export of sugar with a view to ensuring its adequate availability in the domestic market at fair prices. The State Trading Corporation is reported to have approached foreign buyers to stagger their imports suitably. The government's decision seems to be a realistic one in the context of the fall in the production of sugar. But should we not have a long-term export policy for sugar so that, apart from augmenting substantially the earnings of foreign exchange, our main buyers will also be assured of regular supplies? It is true that the sugar production is often subject to various factors over which neither government nor industry has full control. Even so, evey attempt should be made to ensure some stability in the export policy for sugar.

Sugar exports from India in recent years have shown a spectacular increase. In 1972-73, the earnings from these exports were only Rs 13 crores. But in 1973-74 they went up to Rs 42 crores and in 1974-75 to Rs 339 crores. The increase in exports in 1974-75 was of the order of 179 per cent in quantity and 674 per cent in value over the previous year. The earnings for 1974-75 included a rupee profit of Rs 125 crores for the government. Sugar exports accounted for about 15 per cent of the total export earnings. The figure for 1975-76 is estimated at Rs 472 crores. Commenting on the export performance of sugar, Mr Jagjivan Ram, the union minister for Agriculture and Irrigation, said in August last year:

"It is really a matter for rejoicing that sugar has emerged to the fore in the export trade of our country. It occupied the role of one of the biggest foreign exchange earners for our country in the last financial year, and at the same time contributed considerable rupee surplus to the exchequer. In fact, the export earnings last year were more than the combined earnings from sugar exports for the previous two decades. While in many cases in international trade, the increase in earnings has largely been due to the increase in the unit value, it is significant that in the case of sugar, the earnings were equally due to an increase in the quantity exported. In fact, the sugar exports last year came to about 681,000 tonnes, roughly three times the average of past exports from the country". The minister expressed the hope that in view of the paramount need to earn foreign exchange, it would be possible to step up export to higher levels.

lower earnings

But the export earnings from sugar in 1976-77 are expected to be lower than in the preceding year. The Federation of Indian Chambers of Commerce & Industry, in a recent study, had estimated export earnings from sugar at only Rs 388 crores in 1976-77. The Federation had made a number of specific suggestions for increasing the production and export of sugar. These were: a review of the excise duty structure to prevent large-scale diversion of cane to khandsari; full bank advance to be made available to factories without any margin against sugar meant for export; change in the priorities for movement of export sugar from C to B to avoid delay in the despatch of cargo to ports; reservation of one deep-draft berth at the ports for the shipment of sugar vessels, and provision of more godown facilities at the ports. The Federation had also suggested that about half of the anticipated target of sugar export should be on a long-term basis for specific destinations and the balance to be sold to free destinations on *ad hoc* basis at the ruling international prices. It is necessary to implement these decisions and to adopt measures in order to maximise the production of sugar and to make it available adequately for export.

Sugar production has shown wide and frequent fluctuations. It was 3.11 million tonnes in 1971-72, 3.82 million tonnes in 1972-73, 3.95 million tonnes in 1973-74 and 4.79 million tonnes in 1974-75. (Figures relate to the sugar season October-September.) In the current season, production is estimated to fall short of the previous season's level by about 600,000 tonnes. It should be possible to avoid such fluctuations to a great extent if industry and government effectively and sincerely cooperate with each other in augmenting production.

It is also relevant to point out there is considerable idle capacity in the sugar industry not only in one or two regions but in nine regions, covering 90 factories. The factories that came into existence in recent years also are faced with this problem. It has been estimated that these 90 factories in the nine regions work for only about 80 days per season, that is, nearly 50 per cent of the normal season. According to the Indian Sugar Mills Association, the country had an idle capacity of 600,000 tonnes in the last year. It is indeed odd that at a time when there is scope for stepping up sugar exports and the internal demand is also rapidly increasing, the industry should continue to operate with substantial idle capacity.

It is also important to create conditions to enable the sugar industry to operate on a profitable basis. There seems to a general impression in the country that the industry in recent years has been making substantial profits.. But studies made by the Reserve Bank of India have revealed that the average return for the industry for the 13 year-period ending 1973 was only 9.2 per cent, compared to the average of 13.9 per cent for the other industries. The Indian Sugar Mills Association has estimated that in 1973-74 about 32 per cent of the mills suffered loss and that it went up to about 80 per cent in 1974-75.

The government of India, the state governments concerned and the sugar industry should therefore evolve an appropriate strategy to maximise production and exports and, at the same time, make it available to domestic consumers at prices they can afford. Meanwhile, the State Trading Corporation should make intensive studies of the possibilities of stepping up the export of sugar to various countries. The prospects in west Asia seem to be particularly promising. Their per capita consumption is increasing rapidly and their requirements are likely to grow further in the coming years. For example, it has been estimated that Iran needs about one million tonnes of sugar per year and that she has entered into long-term contracts for its purchase with Argentina, Brazil and Jamaica. India's sugar exports to Iran in 1973-74 amounted only to 21,000 tonnes valued at over Rs 4 crores but in 1974-75 these jumped to 274,000 tonnes worth nearly Rs 142 crores. Incidentally, it is worth nothing that in many west Asian countries tea consumption is also increasing and it is taken with plenty of sugar. Mr Broca, the chairman of the Tea Board, recently said that if we exported more tea to west Asia, we would also be promoting the exporting of more sugar.

Eastern Economist 30 Years Ago

AUGUST 16, 1946

The steel production of a country is generally held to be the barometer to measure its industrial development. Judging by this test what is India's record to date and what are her plans for the future? Looking at the past and taking into account the war-time experience also, one cannot but be driven to the depressing conclusion that India has not merely not made rapid progress but has actually suffered a set-back. According to Mr J.R.D. Tata who must know, the war has not given any impetus to the iron and steel industry. On the contrary it has only held up even normal extensions and expansions which would otherwise have taken place. India can never overlook the contrast in this respect with the self-governing dominions such as Canada and Australia where the industrial expansion of a quarter century has been compressed into the space of five brief years. In fact, looking back to the period even before 1939, one finds that a most striking feature of our economic life has been the decline in the consumption of iron and steel from even the level at the outbreak of the first World War in 1914. In 1914 the consumption of iron and steel which was almost wholly imported amounted to about 1,293,000 tons. In 1929 it had increased to 1,651,658 tons an increase of 27 per cent. But by 1933 i.e., the year of world depression the consumption had dropped by 50 per cent to 810,854 tons. By 1936 some improvement was noticeable when the figure of one million tons per annum was reached at which figure the consumption of steel during the four years preceding World War No. II remained. Thus the average annual consumption of iron and steel in the period 1935-39 was 25 per cent below that of 1914.

Gold and its glamour

AT A recent meeting of the Parliamentary Consultative Committee associated with the ministry of Finance, Mr Pranab Kumar Mukherjee, the union minister of state for Revenue and Banking, expressed the fear that there was a danger of a step-up in the smuggling of gold into our country because of the sharp decline in world prices caused by the unloading of gold by the International Monetary Fund (IMF). The public auction by the IMF on July 14, of 780.000 ounces of gold at a common price of $ 122.05 an ounce has invited a wide variety of response from various sources because within days of the auction, the price of gold in London market touched a low of $ 105.5. This price presented a sharp contrast to the price of $ 197.5 prevailing at the end of 1974. The difference between the domestic and international prices of gold being around Rs 200 for 10 gms, the incentive to the smugglers was substantial and hence there was great need for vigilance. Incidentally, it showed that the people in this country had not been weaned away from the use of gold jewellery even though the Gold Control Act had been operative for more than a decade.

drop in price

The London bullion market has been speculating whether the next auction by the IMF in September would be postponed, as the drop in price has been considered to be engineered primarily by the IMF sales. The sales of gold at the first auction on June 2, this year, was at a common price of $ 126 an ounce. The sale after nearly a month and quarter has been at $ 122.05. But it may be observed that immediately after the first sale, the price on June 8, increased to $ 127.40, so that some speculators who had bought before the auction, gained immediately after it. The holders, who bought again in the hope of a recovery after the second sale, have unloaded the metal because there are no chances of the price moving up in the near future. These sales by the holders appear to have further depressed the price of gold.

Defending the IMF sales, sources close to the Fund have pointed out that the total quantity to be sold over the next four years, as had been agreed, would be equivalent only to a few months' South African production. Consequently, the IMF is not unduly concerned about the fall in prices, especially because two months are still to go before it can make up its mind about the next auction.

To understand the process of recent drop in prices, it would be essential to go into the pattern of demand and supply of gold as it stands today. Demand for gold is broadly of three types : First is the demand for industry, mostly in advanced countries. This demand is believed to be responsive to price movements because in 1974, when prices shot up, the demand from this source dropped sharply. Second is the demand for jewellery, mostly of simple solid metal for long-term storage of value and insurance against calamities, largely in Asia. Third source of demand is from the investors and speculators, who are interested in short-term gains accruing from rise in prices.

The supply of gold is largely from South Africa, which supplied in 1975 around 708 tonnes of gold out of a total free world output of 950 tonnes. With gold as an important foreign exchange earner, South Africa seems legitimately concerned over the drop in prices following IMF sales, especially when the South African economy has been facing an unfavourable balance of payments and a rate of inflation which is still high.

The USSR is the second largest producer of gold. Every year Russia unloads a certain quantity of gold to get hard currency to buy foodgrains and this year so far it is reported to have already sold 482,000 ounces of gold for foodgrains imports. It appears that with every fall in the price of gold, the USSR will be obliged to sell more gold to buy the same quantity of foodgrains, thereby further causing a fall in gold prices.

Before the IMF started its sale of gold in June this year, the US treasury had already come up with the auction of nearly one million ounces in January 1975 followed by another auction of 500,000 ounces in June this year. It was felt that new source of demand for bullion would spring up when the US citizens were allowed to buy gold bars. But it became clear very soon that the US citizens were not by nature hoarders, so that the first US gold auction in January 1975 received bids for less than half of the auctioned quantity (nearly 60 tonnes) and those too were mainly from European sources. Nevertheless, this additional supply in the market has also affected the existing price of gold.

speculative demand

Much of the buoyancy in gold prices during 1973-74 was the result of speculative demand and investment buying by the institutions as against the demand for industrial uses and for jewellery in the traditional markets of Asia. It appears that since last one year the strength of the speculative buying has weakened after the worldwide trend of inflation has been controlled.

This drop in prices should not appear alarming now, if a rise by nearly a 100 per cent in two years did not shock any one. After all gold is not an essential commodity where a drop in prices would hurt the common man. Nor is it a reserve against currencies any longer.

An important element in the sale of gold by the IMF is that the funds thus raised are to be utilised to help the world's poorest countries. Profits from the sales, in which 25 million ounces of IMF gold will be auctioned over the next four years, will finance a special trust fund for poor nations. The fund will lend money to about 60 countries with annual per capita income of less than SDR 300. The loans, which carry an interest rate of only one-half of one per cent, are to help these countries pay for their imports. For this reason any sharp fall in prices realised after the coming auctions can reduce the amount of money that will be available to the developing countries. But this cannot be a sufficient reason to abandon the sale of gold by the IMF.

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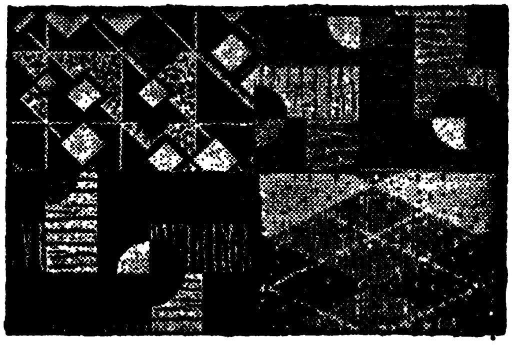
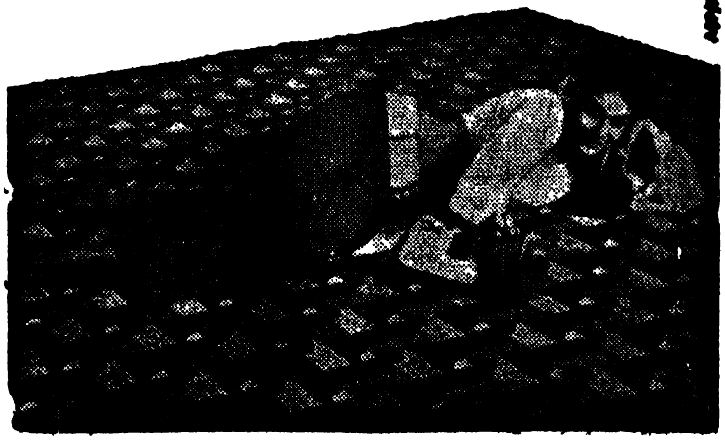




Unemployment among the educated—why?

K.K.G. Nambiar

Mr K.K.G. Nambiar has focussed attention on the plight of the educated among the unemployed in our country. Like Mr H.S. Kehal in the following article, he has also emphasised the importance of using India's abundant manpower for economic growth. He has blamed the present system of education wherein there is no dovetailing of the country's needs of educated persons and the annual out-turn of the educated from our institutes and universities.

SOME TIME back a leading English daily reported that "five men holding degrees (one including a doctorate) took to selling *chhola bhatura* in Connaught Place (New Delhi) in an attempt to save themselves from starvation". Another report by the same paper said: "Expressing regret for what they were doing but carrying away the booty of Rs 7,000 an armed group of youths carried out a daring robbery of a government office . . . sorry we are educated unemployed were their parting words."

Such instances reveal the gravity of unemployment among the educated. The number of educated unemployed registered with employment exchanges rose from 3.9 million in 1973 to 4.1 million in 1974 — a rise of 5.7 per cent. In addition to the registered job seekers, there are several hundreds of unregistered, especially in rural areas who have little opportunity for registration.

Human resources are a critical input upon which depends the economic future of the country. Kautilya in his "Arthasastra" had emphasised the importance of training and developing human resources for national prosperity. Adam Smith spoke of the "dexterity and skill of the population" as constituting "the foundation of national wealth". Modern economists have also stressed the same theme.

a potent force

Japan and Federal Republic of Germany provide examples that human resources are a potent force in building a nation. During the world war II these two countries lost all their industrial installations. Indeed, their industries were a shambles. But within a short period, they emerged as industrial giants. Between 1958 and 1968, Japan's average annual growth rate was over 11 per cent against less than five per cent by the leading industrial nations such as the USA, the UK and France. This was possible on the basis of human resources which these two countries had carefully developed. They had tailored their education system to the needs of industrial development.

POINT OF VIEW

Unfortunately, in India this is still a far cry. We continue to follow the colonial education system which was intended mainly to produce clerks and low-level administrative personnel for the government and business. Despite our programme for planned economic development, a closer link of the education system with the stage of country's economic development is absent. As a result, thousands who leave schools and colleges spend months looking for employment or are forced to do any odd jobs to eke out a living. Educational institutions in India mushroom not so much to meet the needs of development as to turn out degree holders whose educational background and achievements hardly provide them opportunities to play an effective role in the development programme. Mere pen pushers, they face long period of unemployment and even when employed do job for which matriculates are adequate. Says the prime minister, Mrs Indira Gandhi: "If I have a grouse against the education that we are giving to our children, it is that while allowing the talent of a child blossom, we quite often suppress the child's spontaneity and originality and even vision".

shortage of manpower

The waste of human resources is obvious. The country is faced with shortage of manpower in the field of: professional, technical and related workers, experienced (topographical) overseas (civil) engineers, para-medical personnel, managerial personnel, craftsmen and production process workers in occupation like piecers, twisters (textile), machinists, plumbers, boiler attendants and lines-men. The union minister for Education recently said that despite all the talk of unemployment, the government had not been able to get enough technical personnel for apprenticeship. According to him, for every four apprenticeship vacancies, there was only one person available. At the same time, one of the grave problems facing the country is educated unemployment. The reason for this sorry state of affairs arises from the fact that in India, the pattern of education is evolved and decided by so many — the union government, the state government, the municipalities, the private sector and the communal and religious bodies. Consequently, it is not woven into the fabric of national development.

There has to be a halt to unplanned expansion of general secondary and higher education to avoid the creation of the problems of educated unemployment. Education commissions appointed after independence had recommended complete reorganisation of education system so that it is geared to employment and manpower needs. The Kothari Education Commission had suggested "work-experience" which it defined as "participation in the productive work in schools, in the home workshops, farms, factory or any other productive situation". Such

an education system helps us to make the best use of our manpower resources and also involve the younger generation in development work.

But this principle was by-passed. Acquiring a college degree is considered to be a status symbol. Everyone hankers after "white-collar jobs" which are limited both in number and scope. Education has now reduced itself to an organised industry with several colleges even having shifts. Rich people, including holders of blackmoney, are investing in education. Blind and callous to the country's future, their sole concern is to reap a big return for themselves. Ministers and politicians who publicly cry wolf about the lack of an effective link between education and the needs of economic growth have failed to bring about a radical change in our education system. Should we not restrict university education to the number of educated men and women that the country requires from time to time?

Education is not to be valued for its own sake but as a powerful agent for social and economic transformation. Gandhiji's idea of basic education aimed exactly at this. But this has almost been dismissed as a "fad". We have seen that pockets of giant industrial establishments do not themselves lead to self-sustaining economic growth. The "spread effect" of industrial projects do not come about automatically. They have to be planned and developed as a deliberate policy. This, among other things, requires a work-force with requisite technical skill. This is possible only through a balanced and imaginative education system that responds to our developmental needs. We talk of rural development, want a decentralised economic growth and are concerned over swelling rural migration. The scope to revive and modernise our traditional industries such as: handgrinding, handpounding, soapmaking, papermaking, match making, tanning, oil pressing, handicrafts, etc. is enormous. Besides, workshops for repairing various households items and for making small tools and accessories can also be set up in rural areas. A job oriented education system can thus create viable employment opportunities for our younger generation without much impingement on our scarce resources.

Some attention has been paid to manpower planning and development. Engineering, agricultural, medical, managerial, and supervisory, scientific and technical fields have received national attention. Prior to independence, there was hardly any facility in India for post-graduate engineering and Indian students went abroad for such studies. We now have 34 institutes for this purpose. A polytechnic today represents a technical institute at the middle level. Numbering 280 with an annual admission capacity of 50,000, they conduct full-time diploma courses in civil, mechanical and electrical engineering. There are also 155 industrial training institutes training over 1,50,000 craftsmen in 54 different centres every year. In the field of management, thirty institutes are conducting full-time two-year management programmes; there are also part-time course of universities and academic institutions and training programmes of professional associations, commercial institutes and productivity councils.

While all this can add both quantitatively and qualitatively to the requirements of development, they are not substitute for freeing our education system from its colonial moorings and linking it with the need to develop human resources so essential for our economic growth. India's abundant man-power is its major asset. To use it effectively should be the principal aim of our educational set up.

Challenge of manpower planning

H. S. Kehal

The author is Assistant Professor of Economics, Department of Economics & Sociology, Punjab Agricultural University, Ludhiana. He has in this article emphasised the importance of manpower planning in our country. He has also urged mobilisation of all resources for creating job opportunities for the surplus labour force.

LABOUR PLAYS a significant role in the life of a nation because manpower is one of the most important and basic resource for the development of the national economy. Economic growth and development of a nation's economy greatly depend on the skills of its nationals and application of knowledge inherited and acquired by them. So development, deployment and utilisation of human resources is a vital part of the process of economic development.

The main objective of any type of economic planning should be optimum allocation and utilisation of manpower resources. Planning in a country like ours will have to be employment oriented if it has to have any meaning for the masses. But one of the areas in which Indian economy has fallen short in its progress under the five-year Plans is the utilisation of its manpower resources and the concomitant waste. The pace of providing gainful employment opportunities has lagged behind that of spread of education and population growth.

Manpower planning has been quite faulty in India. It can be safely asserted that despite planned effort of more than two and a half decades, we have not dealt adequately with the problem of unemployment. The number of unemployed and underemployed persons has tremendously grown over the planning period. In spite of development plans the backlog of the unemployed during each five-year Plan has been getting aggravated. For example, the employment opportunities created during the first, the second and the third Plan period were only of the order of seven million, 10 million and 14.5 million respectively and these were far less than the net additions made to labour force which were nine million, 11.7 million and 17 million respectively.

Manpower planning in India has remained confined to a few categories of specialised manpower such as engineers, doctors, teachers, managers, scientists, agricultural graduates etc. We have surpluses of manpower in these very sectors. This situation resulted from the increasing pre-occupation of our planners with forecasting of manpower requirements than with deployment and utilisation of existing manpower. Does it not ook strange that we have been planning the economy without making manpower planning an integral part of the process of conomic development?

We, in India, now exceed 600 million. With such a concentration of human energy, we could have worked wonders on the economic front. But the ill-conceived notions about the strategies of planned development hindered the creation of opportunities for the use of 50 million hands (the backlog of 25 million unemployed/underemployed) who are without work or their capacity is being severely underutilised.

Labour has one peculiar characteristic much different from other factors of production. It is perishable and does not last. Thus, we have been losing from year to year hundreds of crores of potential wealth which these unemployed and underemployed could have added to the existing wealth of the nation. Keeping in view all this, it has now become imperative to devote time and effort for devising strategies and evolving policy instruments for the utilisation of available hands by generating required employment opportunities. It is a great challenge before the manpower planners because the country cannot afford unemployment and underemployment existing in the dimensions as we now have.

There is an urgent need of an in-depth study of manpower planning both from theoretical and applied angles. Researchers in universities and other research institutes should take up for intensive study various aspects of the complex subject of manpower budgeting. Efforts will have to be directed towards developing new approaches for overall deployment of manpower in various sectors of the Indian economy. Rural manpower has remained entirely neglected. It is important now to make an in-depth study of rural manpower, its deployment, utilisation, surplus and shortages. This type of study will provide the base for effective manpower planning at the village level.

In economic planning, now, we need a practical approach with stress on the productive use of labour. Plan strategy will have to be employment-oriented with a bias tilted in favour of labour-using technology. Capital-intensive technology should be restricted to areas which do not permit adoption of labour-intensive techniques. This means expanding only such capacities of the economy which lead to rise in demand for productive operators.

Manpower planners face a massive challenge. The challenge can be met only by mobilising all the resources for creating job opportunities for the surplus labour force. Labour is our abundant productive resource and manpower planning is the way to optimally utilise it.

Institutional credit to agriculture

N. Desinga Rao

Putting together the available data on institutional credit, the author has come to the conclusion that the prosperous states tend to receive increased volume of credit from public sector banks and cooperative banks. The credit institutions neglect the small farmer and patronise the big one. The backward regions and states follow a policy of equitable distribution of credit among different categories of farmers something which is not seen in any significant measure in prosperous regions and states.

THE IMPORTANCE of credit for agricultural development is too well known to need any emphasis. And its role is of the utmost importance in a developing economy like ours mainly for two reasons. First, much of our agriculture is in the hands of small peasants who are too weak to finance their operations. They are heavily dependent on outside borrowings even for their day to day operations not to speak of developmental activities. Second, the cost of credit is too heavy for the weak farmer which is why many a farmer is born in debts and lives and dies in debts. It is to free the Indian farmer from these two major shackles, cooperative credit system was introduced in our country as early as 1904. But the last 70 and odd years' experience of the credit cooperatives has been far from flattering. As pointed out by many high level committees, the credit cooperatives have strengthened the hands of the moneylender and tightened the squeeze round the neck of the poor peasant firmly. The vested interests took reins into their hands and turned cooperatives to their advantage. Of late the government of India has realised this fact and has tried to do something for the poor farmer. One of the steps taken was the nationalisation of 14 major commercial banks in India and re-channelisation of the banks' credit to the rural economy which was neglected by the commercial banks. With this turn in the banking history, it was presumed that the commercial banks could supplement the cooperatives in agricultural finances quantitatively and qualitatively as well. It was further presumed that the principal of efficiency, would be imbibed by the cooperatives from the commercial banks and hence various types of integration between the cooperatives and the commercial banks were suggested. The results of this new philosophy were most spectacular in quantitative dimensions. Thousands of branches were opened in the rural areas and crores of rupees were given away to the agriculturists. And even the cooperatives exercised their lame leg along with the commercial banks in apparently enterprising manner. But in which direction both of them are heading is of the utmost importance for a qualitative analysis of the working of the institutional credit in our agriculture.

In this context it was stated that the cooperatives and the commercial banks have concentrated their efforts among certain regions and certain groups of people. It appears that the entire institutional finance is biased towards the prosperous regions and prosperous farmers. The objective of this article is to test this hypothesis in the light of available data.

In this study data in respect of loans and advances issued through the Primary Agricultural Credit Societies and the public sector banks for the year 1973 were considered. Samples drawn from 16 major states in India were analysed. The prosperous states were identified with the help of their per capita incomes. Similarly, the size of ownership holding was considered as an index for judging the

TABLE I

Distribution of Population, Income and Institutional Credit—Region-wise

Region	Density of population per square kilometre (1971)	Per capita income (in Rs.) (1969-70)	% share in agricultural finance extended by the public sector banks (March 1973)	% share in loans and advances made by the primary agricultural credit societies (June 1973)	Regions in their respective ranks as per the data shown in column number			
					(1)	(2)	(3)	(4)
	(1)	(2)	(3)	(4)				
Northern Region	151	682	14.1	13.7	5	2	4	4
North Eastern Region	195	545	0.3	0.2	4	3	6	6
Eastern Region	323	446	6.1	5.0	1	6	5	5
Central Region	197	533	16.0	16.0	3	5	3	3
Western Region	150	683	28.3	37.7	6	1	2	1
Southern Region	294	537	35.2	25.5	2	4	1	2
All-India	178	589	100.0	100.0*	—	—	—	—

*Data in respect of areas other than the selected samples are not included.

TABLE II

Distribution of Population, Income and Institutional Credit—State-wise

States	Density of population per square kilometre (1971)	Per capita income (in Rs.) (1969-70)	Percentage share in agricultural finance extended by the public sector banks (March 1973)	Percentage share in loans and advances made by the primary agricultural credit societies (June 1973)	States in their respective ranks as per the data shown in column number			
					(1)	(2)	(3)	(4)
	(1)	(2)	(3)	(4)				
Andhra Pradesh	157	513	9.5	4.1	10	10.5	5	9
Assam	195	545	0.3	0.2	8	8	15	16
Bihar	324	402	2.3	2.0	3	15	12.5	12.5
Gujarat	134	635	10.0	16.9	13	4	4	2
Haryana	227	788	3.2	3.4	7	2	9	10
Jammu & Kashmir	33	513	Not significant	0.3	16	10.5	16	15
Karnataka	153	515	9.3	6.1	11	9.0	6	7
Kerala	549	505	3.4	5.3	1	13	7.5	8
Madhya Pradesh	94	560	2.9	7.7	14	7	10	6
Maharashtra	164	731	18.1	20.7	9	3	1	1
Orissa	141	375	0.4	2.0	12	16	14	12.5
Punjab	269	945	2.3	8.0	6	1	12.5	5
Rajasthan	75	480	2.7	2.1	15	14	11	11
Tamil Nadu	317	616	12.7	10.0	4	5	3	3
Uttar Pradesh	300	506	13.1	9.2	5	12	2	4
West Bengal	504	562	3.4	1.0	2	6	7.5	14
All-India	178	589	100.0	100.0	—	—	—	—

levels of prosperity among the agriculturists. For convenience the sample states were grouped into six regions as follows:

Region	*Sample States*
1. Northern Region	: Haryana, Jammu & Kashmir, Punjab and Rajasthan
2. North Eastern Region	: Assam
3. Eastern Region	: Bihar, Orissa, and West Bengal
4. Central Region	: Madhya Pradesh and Uttar Pradesh
5. Western Region	: Gujarat and Maharashtra
6. Southern Region	: Andhra Pradesh, Karnataka, Kerala and Tamil Nadu.

There were certain gaps in this study which were due to either non-availability of data or inadequacy of data or both. To start with, the data differed in respect of period of reference. For the cooperatives it was June ending 1973 and for the public sector banks it was March ending 1973. Secondly, data in respect of credit extended to the most weaker sections in agriculture like the tenants, agricultural labourers etc., were not available in the case of the public sector banks. Finally, state-wise details of data in respect of loans and advances issued by the public sector banks by size of ownership holding were not available.

high density

It was observed from table I that eastern region had the highest density of population with the lowest per capita income (Rs 446) compared with the western region which had the lowest population density with the highest per capita income (Rs 683). From the same table it was derived that the southern region had enjoyed a large percentage of the commercial banks credit (35.2 per cent) while the western region had enjoyed a large percentage of the cooperative credit (37.7 per cent). The north-eastern region was not served with any significant amount of credit either by the cooperatives or by the commercial banks.

As is shown at the end of the same table, the eastern and the north-eastern

TABLE III

Distribution of Seasonal and Term Finances—State-wise

State	Seasonal Finance		Term Finance	
	Public sector banks*	Primary agricultural credit societies	Public sector banks	Primary agricultural credt societies**
Andhra Pradesh	25.5	5.7	4.2	3.0
Assam	0.7	0.9	N.S.	N.S.
Bihar	1.8	2.9	3.9	2.0
Gujarat	7.0	14.2	13.6	15.0
Haryana	1.0	3.0	1.9	1.0
Jammu & Kashmir	0.1	0.3	N.S.	N.S.
Karnataka	8.5	6.7	8.8	7.0
Kerala	3.2	5.1	2.4	4.0
Madhya Pradesh	2.6	10.5	4.7	10.0
Maharashtra	17.0	11.9	19.9	34.0
Orissa	1.4	3.4	N.S.	2.0
Punjab	1.1	7.4	4.7	3.0
Rajasthan	0.8	3.0	6.2	2.0
Tamil Nadu	21.2	9.8	7.7	5.0
Uttar Pradesh	3.6	11.8	13.7	9.0
West Bengal	3.3	2.4	6.3	0.1
All-India	100.0	100.0	100.0	100.0

*Only direct finance. **Only medium term finance. N.S. : Not significant.

TABLE IV

Region-wise Distribution of Loans Outstanding in the Public Sector Banks—By Size of Ownership Holding

Region	Size of holding				
	Up to 2.5 acres	Up to 5 acres	Up to 10 acres	Above 10 acres	All groups
		Short-term Loan			
Northern	1.02	1.68	3.59	5.76	3.32
North Eastern	0.80	1.12	0.55	0.49	0.71
Eastern	7.92	12.03	4.83	3.27	6.53
Central	1.62	5.11	7.36	9.30	6.18
Western	6.20	14.96	32.12	37.07	24.04
Southern	82.44	65.10	51.55	44.11	59.22
All-regions	100.00	100.00	100.00	100.00	100.00
		Medium and Long Term Loan			
Northern	6.21	10.91	12.12	15.96	14.06
North Eastern	0.12	0.10	0.03	0.45	0.31
Eastern	15.35	21.50	11.34	7.61	10.42
Central	8.40	11.70	13.67	22.20	18.48
Western	18.15	24.12	40.52	34.30	33.57
Southern	51.77	31.67	22.32	19.48	23.16
All-regions	100.00	100.00	100.00	100.00	100.00

BHEL is at a loss

(after earning India's largest single export order—worth Rs. 102 crores)

BHEL is at a loss for words to express its gratitude to Libya. For entrusting the turn-key responsibility for Libya's largest thermal power station—which, at Rs.102 crores, forms India's largest single export order! Won against world-class competition from multi-national giants!

For the first time, a developing country has been preferred—especially in a field that calls for very advanced technology.

BHEL has taken up the challenge with a great confidence earned over the years. As an organisation that has helped India achieve total self-reliance in the manufacture of power plant equipment. As an organisation that has the capacity to manufacture equipment capable of generating over 5000 MW of power every year. As an organisation that is engaged in the design, manufacture and commissioning of 34 thermal, 81 hydel and 2 nuclear power plants.

A Rs. 102-crore expression of faith

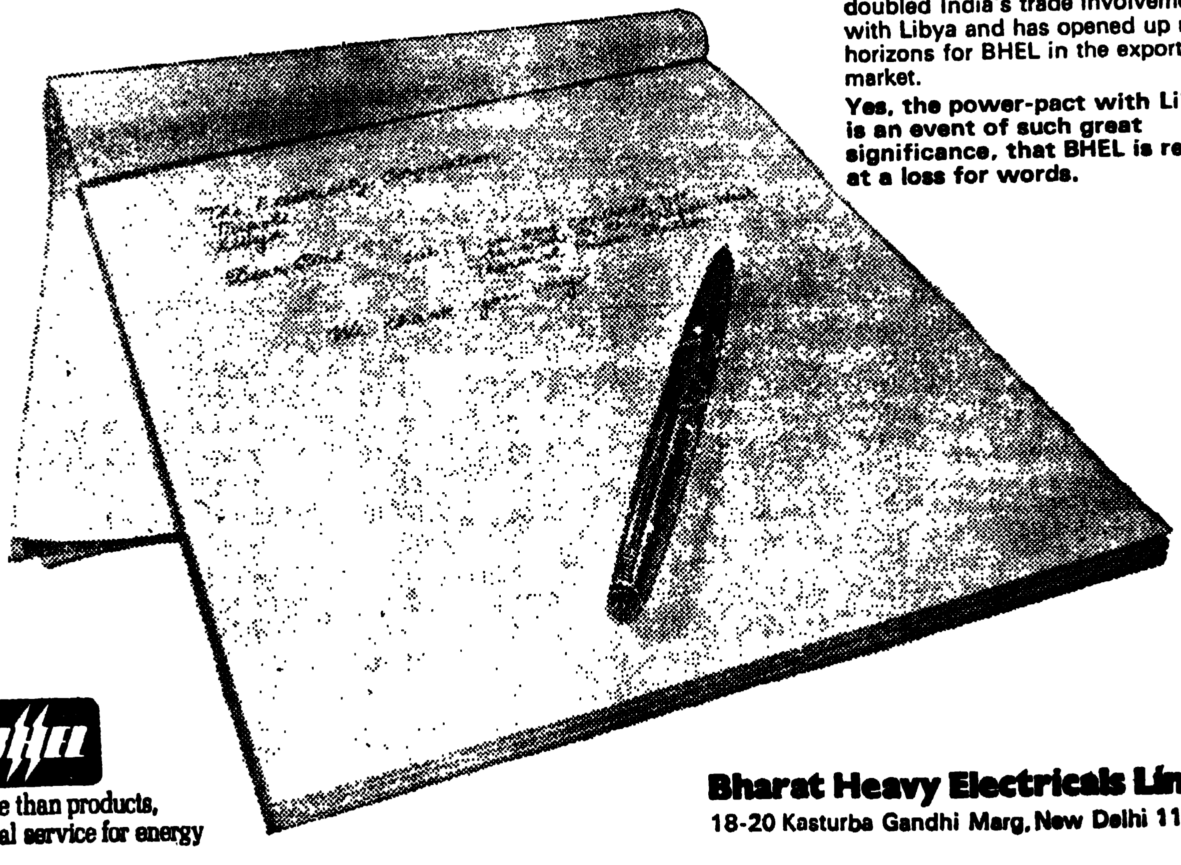
The power-pact with the Electricity Corporation, Tripoli, is an expression of faith in the engineering expertise and design capabilities of BHEL in the field of power plants. A faith reaffirmed through a careful, on-the-spot study of BHEL's merits by a team of experts from Libya. The Tripoli West Thermal Station will be Libya's largest power project and will play a major role in realising its ambitious programme for growth. It's really a matter of pride for India that BHEL has been entrusted with this responsibility.

The scope and the promise

This project will be an extension to the existing thermal station located in Tripoli, the capital of Libya. BHEL will supply two turbosets and two steam generators each of 120MW unit size with related accessories. It has taken the complete responsibility for the project, including the extensive civil works and the indoor sub-station that will connect the generated power to the 220 kV Tripoli grid. It will also operate and maintain the thermal station for four years.

This export order has quantitatively doubled India's trade involvement with Libya and has opened up new horizons for BHEL in the export market.

Yes, the power-pact with Libya is an event of such great significance, that BHEL is really at a loss for words.



more than products,
a total service for energy

SAA/BHEL/444

Bharat Heavy Electricals Limited
18-20 Kasturba Gandhi Marg, New Delhi 110 001

regions had high frequency of lower ranks compared with the western and southern regions which had high frequency of upper ranks in respect of per capita income and percentage share in the co-operative credit and commercial banks' credit.

It was also observed (Table-II) that population was spread unequally between various states. The concentration was the heaviest in Kerala (549 per sq. km) followed by West Bengal and lowest in Jammu and Kashmir followed by Rajasthan. And per capita income was the highest in Punjab (Rs 945) followed by Haryana (Rs 788) and the lowest in Orissa (Rs. 375) followed by Bihar (Rs 402).

institutional credit

It was evident from the same table that Maharashtra enjoyed a higher percentage of credit from the cooperatives as well as the public sector banks (20.7 per cent and 18 per cent respectively) Gujarat, Tamil Nadu and Uttar Pradesh were other major beneficiaries. And Jammu and Kashmir followed by Assam was badly served by institutional credit. It was further revealed (through the ranking procedure presented in the same table) that Maharashtra, Gujarat and Tamil Nadu had high frequenecy of upper ranks against states such as Jammu and Kashmir, and Assam which had high frequency of lower ranks in respect of per capita income and percentage share in the institutional credit.

According to the data presented in Table III, Andhra Pradesh, Tamil Nadu and Maharashtra enjoyed larger shares of seasonal finances through public sector banks while, Gujarat, Maharashtra, Uttar Pradesh and Madhya Pradesh enjoyed larger shares of seasonal finance through cooperatives. And in respect of term finance, Maharashtra had enjoyed enviable patronage through both the institutions under consideration. And states such as Assam, Jammu and Kashmir and Orissa were almost neglected in respect of term as well as seasonal finance by both the institutions.

Table IV revealed that at all levels southern region had enjoyed the highest amount of credit as far as the short-term loan was concerned and became a major partner with the western region as far as the medium and long term loans were concerned. North-eastern region was neglected in general.

Table V showed credit distribution pattern of the commercial banks which was highly related to the distribution pattern of the account-holders in them by regions as well as by size of ownership holding.

Table VI demonstrated that western region followed by the southern region had enjoyed the highest percentage of co-operative credit in general (37.66 per

TABLE V

Region-wise Distribution of Account Holders in the Public Sector Banks by Size of Holding

Region	Size of holding				
	Up to 2.5 acres	Up to 5 acres	Up to 10 acres	Above 10 acres	All groups
	Short-term Loan				
Northern	0.70	2.14	4.10	4.78	2.19
North Eastern	1.41	2.33	0.55	0.50	1.46
Eastern	10.60	14.64	6.25	9.47	10.70
Central	2.75	17.76	17.43	19.14	9.71
Western	2.92	7.96	18.24	26.25	10.05
Southern	81.62	61.17	53.44	39.86	65.99
All-regions	100.00	100.00	100.00	100.00	100.00
	Medium & Long Term Loan				
Northern	4.18	9.74	14.46	15.58	12.46
Northern Eastern	0.08	0.07	0.06	0.10	0.08
Eastern	22.67	21.02	11.10	4.17	12.22
Central	5.77	11.63	14.40	18.86	14.32
Western	17.03	20.47	35.99	44.56	33.26
Southern	50.27	37.07	23.99	16.73	27.66
All-regions	100.00	100.00	100.00	100.00	100.00

TABLE VI

Region-wise Distribution of Loans and Advances through the Agricultural Primary Credit Societies—By Size of Holding

Region	Categories					All categories
	Up to 1 hectare	1 to 2 hectares	2 to 4 hectares	More than 4 hectares	Tenants agricultural labourers and others	
Northern	13.69	13.62	15.00	11 43	13.95	13.70
North Eastern	0.40	0.51	0.10	N.S.	N.S.	0.16
Eastern	9.57	5.27	3.56	1.95	4.78	5.01
Central	11.34	19.27	20.45	12.65	23.23	16.95
Western	25.71	28.14	31.89	50.18	20.85	37.66
Southern	37.37	31.74	28.37	18.37	22.29	25.52
All-regions	100.00	100.00	100.00	100.00	100.00	100.00

N.S.= Not significant.

cent). Northern region had shown almost equitable distribution of credit in all size groups. The north-eastern region was the most neglected area even by the co-operatives.

Table VII showed that concentration of funds was heavier in respect of medium and long-term finance in the public sector banks (62.30 per cent of the total credit was given to the farmer with more than 10 acres of holding). Yet the public sector banks showed more equitable distribution of credit between various size groups as compared to the cooperative banks in respect of short-term credit.

It was further revealed that the highest concentration of seasonal finance was in the hands of farmers with 10 or more acres in the northern region (59.53 per cent) whereas the most equitable distri-

TABLE VII

Groupwise Distribution of Loans and Advances made through the Public Sector and Cooperative Banks—By Regions

Region		Size of holding					All Groups
		Up to 2.5 acres	Up to 5 acres	Up to 10 acres	Above 10 acres	Tenants agricultural labourers and others	
Northern :							
	S.L.	7.39	10.51	22.57	59.53	—	100.00
	M.L.	2.25	9.19	17.89	70.67		100.00
	Coop :	9.24	18.49	27.81	33.40	11.06	100.00
North Eastern :							
	S.L. :	27.27	32.72	16.36	23.63	—	100.00
	M.L. :	2.08	4.16	2 08	91.68	-	100.00
	Coop :	23.53	60.94	14.04	1.38	0.11	100.00
Eastern :							
	S.L. :	29.11	38.22	15.45	17.23	—	100.00
	M.L. :	7.51	24.43	22.59	45.47		100.00
	Coop :	17.66	19.53	18.01	15.56	29.24	100.00
Central :							
	S.L. :	6.28	17.16	24.90	51.67	—	100.00
	M.L. :	2.32	7.49	15.36	74.83		100.00
	Coop :	6.20	21.15	30.66	29.83	12.16	100.00
Western :							
	S.L. :	6.19	12 91	27.92	52.99	—	100.00
	M.L. :	2.76	8.51	25.07	63.66	—	100.00
	Coop :	6.32	13.90	21.52	22.75	35.51	100.00
Southern :							
	S.L. :	33.41	22.80	18.19	25.60	—	100.00
	M.L. :	11.40	16.20	20.00	52.40	—	100.00
	Coop :	13.54	23.13	28.24	28 81	6.28	100.00
All-India :							
	S.L. :	24.00	20.74	20.90	34.36	—	100.00
	M.L. :	5.10	11.84	20.76	62.30	—	100.00
	Coop :	9.26	18.61	25.40	40.03	6.71	100.00

S.L. : Short loan.
M.L. : Medium and long term loan refer to the public sector banks.
Coop : Refer to the short and medium term loans issued through the cooperative banks.

bution was found in eastern, north-eastern and southern regions where even the farmers in the lowest size-holding groups received large shares. The term finances of the public sector banks were highly concentrated in the hands of the farmers with more than 10 acres in all regions in general and the north-eastern region (91.68 per cent), in particular. as far as the cooperative credit for the weaker sections such as the tenant cultivators, agricultural labourers and others was considered, western region followed by the eastern region had distributed large sums to them as compared with other regions.

Table VIII indicated that Maharashtra followed by Gujarat had received the highest amount (about Rs 161 crores) of credit through cooperatives and it was again one of the states that had given away higher amounts to the big farmers. Specifically in Madhya Pradesh cooperatives had heavily financed the large farmers. Contrastingly, states like Bihar, Kerala and Assam received comparatively smaller amounts in general but distributed larger percentage of them to the weaker sections.

Thus, there appears to be a direct relationship between per capita income and institutional credit. The more prosperous regions as well as states received larger shares of credit from both the public sector banks and the cooperative banks.

There appears to be much duplication among credit institutions. Public sector banks as well as cooperative banks had lent more and more money to the big farmers neglecting the small farmers and other weaker sections.

Backward regions as well as states had followed more equitable distribution of credit among different categories of farmers as compared to the prosperous regions and states.

On the whole, seasonal credit extended by the public sector banks was more equitably distributed between regions, states and farmers than the cooperative credit.

There is need to take special care of the north-eassern and eastern regions: Assam, Jammu and Kashmir, Bihar and Orissa at the state level and the tenants, agricultural labourers at the group level. This calls for a drastic change in the credit-flow pattern through regulated institutions. Area studies need to be conducted for these backward regions, states and people to arrive at the most feasible and productive methods of credit supply. Credit and development are highly related things; one cannot be separated from the other. Development takes place only when credit is extended; therefore all-out efforts must be made to extends cheap but productive credit to those who cannot afford costly credit.

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TABLE VIII

Distribution of Loans and Advances Issued by the Primary Agricultural Credit Societies—By Size of Ownership Holding

State	Total amount (Rs '000)	Percentage distributed to					
		Tenant cultivators, ag. lab. and others	Farmers with holdings				
			Up to 1 hectare	1–2 hectares	2—4 hectares	4–8 hectares	Above 8 hectares
Andhra Pradesh	3,18 433	8 18	14 83	19 96	23 12	21.41	12.49
Assam	12 076	0 12	23.54	60 93	14.03	1.38	—
Bihar	1,52 928	21 49	30 07	18.59	14 16	14.55	1.14
Gujarat	13,14,698	21 25	5 21	1.16	21 82	27.45	23.12
Haryana	2,62.215	11.12	13.94	13.77	23.79	25.49	6.89
Jammu & Kashmir	21,544		—	—	—	—	—
Karnataka	4,73,942	3.30	14.63	25.31	24.74	19 21	12.81
Kerala	4,08,852	11 99	32.12	24.88	16.09	11.26	3.66
Madhya Pradesh	6,01,435	0 20	3.19	10.34	21 05	30.84	34.38
Maharashtra	16,07,991	0.20	7.22	15.71	21.25	27.03	28.57
Orissa	1,55,561	5.83	8.91	30.59	31.15	15.95	7.57
Punjab	6,19,523	10.59	7.87	18.94	28.25	26.73	7.61
Rajasthan	1,60,433	0 25	8.15	26.89	28.18	21.61	14.28
Tamilnadu	7,79,940	4.42	2.62	25.17	38.81	26.17	5.81
Uttar Pradesh	7,13,880	0.10	8.73	30.26	38.75	16.57	5.60
West Bengal	80,949	—	—	—	—	—	—
All-India	77,60,729	6.71	9.26	18.61	25.40	23.58	16.44

WINDOW ON THE WORLD

A new industrial society in western Europe

E. B. Brook, Vienna

In this review of the economic scene in Europe, Mr Brook is of the view that the outlines of a new industrial society are emerging. Gradually confrontation between trade unions and employers is giving way to peaceful negotiations. The rising unemployment and mounting currency crises seem to have chastened both.

THE BIGGER nations of west Europe are for the time being in an uncertain frame of mind. The Italians, having just completed another election which gave them no positive answer, are in their usual condition of enjoying a crisis without really having one. They are widely in debt, have no prospect of a really settled government but continue to live well while giving the impression of approaching nemesis the whole time. The Germans, NATO's greatest land front line in Europe, now do more trade with communist east Europe, the home of the Warsaw Pact, than any other state on the continent. Having failed to enjoy years of prosperity as much as the Italians enjoy years of crisis, the Germans, with the biggest export order book in Europe, are worrying that they will not for long be able to keep up their level of prosperity.

The French, having left the European monetary "snake" some four months ago, are now as desperately trying to save the value of their franc as were the British that of their pound two months ago. To date the effort to prevent the franc from falling more steeply on foreign exchanges has cost French reserves the equivalent of £80 million. Recently the franc has fallen by more than three per cent against the other major currencies. In France fears about a rising inflation rate combined with forebodings over the impact on the economy of the recent drought. What was until recently one of Europe's strongest currencies is becoming one of its most ailing.

In Britain, the government's £1.9 billion deflationary plan is probably causing less concern than the franc's difficulties arouse in Paris. There is disappointment that development schemes must suffer, annoyance that progressive schemes must wait for better days that may not come quickly and political chagrin that the Keynesian doctrine which has ruled for 30 years has been reversed. But with nearly 1½ million unemployed—a sizeable part of them school-leavers,—a seemingly irremovable imbalance in trade and rising costs in realising the North Sea's oil benefits, not even a fall in the rate of inflation, a record tourist season which is likely to earn well over £1 billion, and signs of an approaching recovery in commerce and industry can persuade the British to be anything more than passively regretful.

Gone are the days of confrontation with the government that characterised the ill-tempered Heath days; today there are almost no strikes, let alone militant striker barricades. The unions are full of protests that end in acquiescence and the Labour Party itself appears to lack the vigour even to murmur. What protest there is comes from municipalities who find their spending powers sharply diminished.

ailing pound

Everyone in Britain knows that it will not be long before everyday living will be significantly more expensive, that housing shortages will get worse rather than better and that every year those leaving school will wait dispiriting months before they can find a chance to earn. There is no certainty that the pound will continue its slow recovery from early June's steep fall—some fear another sterling crisis even from the £1.9 billion deflationary package. What is significant is the passive acceptance of the power of international finance to alter even a nation's economic thinking. The threats from Washington and Zurich that there would be no more help for an ailing pound unless British home spending was drastically cut have gone home. Having achieved sacrifice in London the pound may now, for a time, expect some support. In Britain, the more optimistic who see the beginnings of a recovery, expect it to be in full swing by next spring.

The British economic volte-face points to two international developments which have come quietly in the last twelve months. One is the character of a new industrial society that has emerged; the other, the changed function of the International Monetary Fund.

Outlines of a new industrial society have been emerging in western Europe. Confrontations between unions and employers are gradually giving way to accommodations with peaceful change in view. The change in attitude has been encouraged partly by the emergence of the second generation of post-war employers and unionists who, in their youth, have seen industrial rather than military conflict.

It has been spurred by universal fears caused by frequent and widespread national currency crises. It has probably been cemented by the vision of steadily rising international worklessness.

The trend is now not for inflationary wage settlements but to agreements designed to link wage-price stability with economic reform and restrained industrial growth. The voice of the worker is heard increasingly in board rooms and profit is no longer regarded by most unions as a social sin. Inflation, unemployment and the struggle for export markets frighten union leaders and employers alike; the increasing extent of nationalisation making governments the biggest employers and the often majority union membership share by government-employee unions places both in a quandary. A government can never say it has no more money because it can print money; a strike by government employees is necessarily a strike against the government, a particularly difficult technique if the government is socialist, the political hue of most of the unionists. Union orthodoxy is going, in the west, the same way as Soviet orthodoxy has gone in the east — to abandonment.

The emergence of a cooperating pluralistic society in west Europe is one of the most significant developments of this decade. The British unions' endorsement of limitation during the next 12 months of wage increases to a mere 4.5 per cent even though British inflation – now falling – is nearly three times that rate is a singular contrast to embattled dockers. Time lost though strikes has been cut by nearly two-thirds. Employers, for their part, have stopped dragging their feet and accept the need for a humanistic basis for industrial society. Last but not least is the fact, significant for all in Britain, that the £1 note accounts now for only 13.8 per cent of the total notes in circulation. The currency has so lost in buying power, even at home, that the £5 note is the one most usually seen because the £1 is simply inadequate.

The IMF's function as an international financial policeman is coming steadily to the fore as one currency after another falls sick, but equally, so far, it has shown itself to be an indequate protector of currency rules. It is rarely consulted by those countries "pegging" their exchange rates as to the rates they should choose. In current turbulence in exchange markets there can scarcely be a country that does not need the world's most expert monetary advice. But even when the Fund is consulted its advice is often ignored, and with impunity. The Fund has the right to draw up guidelines for international finance — including one for floating rates — but it has no power of compulsion or even of persuasion.

The Fund presides increasingly as a channel of aid in days of dire distress as nations slither down the slope of competitive devaluation. That is a function for the Fund which no government would care to see disappear, but at a time when the most important currencies almost all of them floating, become increasingly volatile there are many who consider the IMF and its organ the World Bank need to become effectively authoritative.

Greece looks toward Europe

Jean-Louis Emmenegger

Two recent dates are of crucial importance for Greece's economic future: on July 23, 1974 Constantinos Karamanlis returned to lead a government, and on June 12, 1975 the country applied for membership in the European Communities (EEC). This new move is not the only way Greece intends to court Europe, however, it also hopes to strengthen its pivotal position in trade (and perhaps finance) at the point where Europe and the Middle East meet. The country does in fact hold enviable trump cards, particularly since the Suez Canal was reopened.

GREECE'S ECONOMY is still fundamentally agricultural. Farming, which provided the livelihood of some 40 per cent of the gainfully employed in 1974, contributed only 17 per cent of Gross Domestic Product, compared with 22 per cent in 1966. By contrast, industry as a whole (including construction) employed 25 per cent of the active population in 1974 but accounted for 36 per cent of Gross Domestic Product, as against only 30 per cent in 1966. But only a few of the industrial firms, most of which are small operations, are in fact competitive. None has more than 5,000 employees, and in no sector do you find companies holding strong positions in world markets. It is true that new manufacturing methods have been introduced in the textile and aluminium industries, thus augmenting the traditional production of tobacco, foodstuffs and hides. But these young industries still have to prove their mettle in international competition and cope with regularly occurring demand fluctuations.

The first 1975 tourism statistics indicate that the country has rebounded successfully from the drastic 40 per cent drop in the number of tourists and 15 per cent decline in revenue suffered in 1974. Apparently the critical phase has been surmounted, which would indicate that the investments made in tourism in recent years are about to pay off.

New economic goals have been established since the beginning of 1975. Assistance is being given to agriculture in hopes of raising production efficiency and reducing the amount of food imported. To keep the balance of payments deficit within bounds, the government is trying to restrict the import of non-essential goods and to tighten controls on purchases of capital equipment and raw materials.

World economic developments combined with several domestic factors to interrupt Greek economic growth in 1974. The jolt came all the harder because the recession followed directly on the heels of the 1972-73 boom. In 1975, the situation was characterised by an inflation rate of nearly

20 per cent—as against 27 per cent the year before—by imports rising half as fast again as exports, by a level of unemployment that is relatively restrained, and finally by an industrial production growth rate now slowing down after several years of steep advance. The burdens connected with arms purchases and the Cyprus crisis are part of the legacy left by the military junta, and they are factors that have served to compound the harmful effects of the oil crisis and international monetary problems.

The present economic situation dictates a harnessing of inflation and stimulation of business activity. But the latter has to be accomplished without causing the balance of payments deficit to grow. As a matter of fact, this chronic payments deficit constitutes a vulnerable point in the Greek economy. It stood at $169 million in 1974 and is estimated to have reached $400 to $500 million in 1975, which is the sort of deficit that can only be made up by foreign financial assistance.

In spite of the unfavourable conditions in world trade, Greek exports rose by 10 per cent in terms of real value in 1974. Growth was probably maintained at the same level in 1975, because Greek industrialists stepped up their selling efforts in the middle east and eastern bloc markets. The new orientation in trade relations reflects the policy of establishing closer ties with the Balkan countries, and is at the same time based on the traditional good relations Greece maintains with the Arab countries.

new markets

Though trade with the latter group of states was quite modest up to 1971, it has grown at an increasing rate since 1972; at the same time, Greece's trade deficit has risen vis-a-vis the seven countries involved (Saudi Arabia, Kuwait, Qatar, Libya, the United Arab Emirates, Iraq and Syria). Between 1972 and 1974, Greek imports from Arab countries rose five-fold while exports were increasing four-fold. In the first few months of 1975 both imports and exports were again up sharply over the 1974 figures.

Exports to middle east countries accounted for around three per cent of foreign sales up to 1971, but in 1974 this figure had risen to five per cent. With this gratifying result as a starting point, Greece hopes to make the most of its central location in relation to Europe, Africa and the middle east together with the level of industrialisation now achieved.

In the construction business, cooperation with Arab clients grew rapidly. Greek companies were successful in winning large building contracts despites heavy foreign competition. Another logical field of activity would be shipping, where the Greeks' broad experience places them in a position to offer much-needed services. It is no secret that the Arabs want to create their own merchant fleets and have drawn up extensive shipbuilding plans; a large percentage of the vessels on the list could be built in Greece. In any event, Greek yards are capable of building virtually all types of ship desired by the Arabs.

trade with COMECON

Up to 1970, trade with the eastern bloc was stagnant and there was a small surplus of imports. Since 1971, imports from CEMECON have shown pronounced growth, while the flow of exports to it grew more slowly. Greece exported mainly farm produce and imported primarily meat (three times as much in 1973 as in 1972) and oil, which accounted for most of the rise in imports in 1974. Because of the special framework within which trade with socialist countries is arranged, the government wants to establish the necessary contacts and close the contracts itself. Substantial sales potential exists for certain semi-manufactured products on the eastern bloc market, which absorbed some 12 per cent of Greek exports in 1974.

Greece's application for fullmembership of the EEC is of great interest to foreign firms. The numerous laws encouraging investment and the favourable geographic positions make Greece an attractive regional base for trading activity. When Greece became the first associate member of the EEC on November 1, 1962, the latter realised full well the need for a waiting period prior to acceptance as a full member because of the discrepancy in the two partners' level of economic development. The transition was then set at 22 years. For political reasons, the EEC put the association accord on ice for the duration of the seven-year military dictatorship. This status lasted until July 1974. Though the agreed duty reductions were honoured during that period, loans from the European Investment Bank, economic assistance for bringing Greek agriculture up to the EEC level, and technical aid, were all suspended. The government's application of June 12, 1975 makes clear its desire to make up the lost time. But this process will be a slow one, demanding as it does coordinated efforts on the part of government, industry and agriculture. Considering the red tape facing the application and the complexity of the problems, full membership is not expected to come before 1980.

Greece is an important EEC customer. Its imports from the area, only $479 million in 1964, reached $1800 million in 1974, representing 43 per cent of total imports. Over the same period, exports to EEC countries soared from $140 million to over $1000 million; this made the 1974 figure 50 per cent of all Greek exports. Since July 1, 1968 Greek manufactures have entered the EEC duty-free, and on November 1, 1974 the import duties on all EEC-origin manufactures not produced in Greece were eliminated as well.

favourable climate

Greece has benefited from its status as associate EEC member and its candidature for full membership has served as a springboard for foreign investment, notably by American firms. Between 1954, when a relatively liberal investment law took effect, and May 1975 approval was given for over 1200 projects worth $3500 mllion in all. Greece's association with the EEC had obviously created a favourable investment climate. The amount of foreign capital entering the country from 1954 to 1962 was $70 million, but the pace has quickened markedly in the meantime: investments since 1962 have totalled no less than $1925 million. Roughly one-fourth of the influx came from the United States.

In recent years the flow of foreign capital has dwindled as a result of Greece's unstable political situation and the worldwide economic slump. The new government's decision to re-examine a number of foreign investment projects that had

6 per cent State Government Loans, 1986

State	*Amount of Loan* (In crores of Rupees)	*State*	*Amount of Loan* (In crores of Rupees)
1. Andhra Pradesh	11.50	8. Maharashtra	13.50
2. Assam	7.50	9. Orissa	14.00
3. Bihar	14.00	10. Rajasthan	21.00
4. Gujarat	17.50	11. Tamil Nadu	13.50
5. Karnataka	17.00	12. Uttar Pradesh	10.00
6. Kerala	9.75	13. West Bengal	13.50
7. Madhya Pradesh	8.75		

All the above loans will be issued at Rs. 99.00 per cent and will open for subscriptions on Tuesday, 24th August 1976 and close on Saturday, 28th August 1976 or earlier without notice as soon as subscriptions approximate to the amount of each issue. All the State Governments reserve their right to retain subscriptions upto ten per cent in excess of the notified amounts.

The loans will be redeemable at par after 10 years i.e. on 24th August 1986 and interest will be paid half-yearly on 24th February and 24th August each year. Interest in respect of all loans will be liable to tax under the Income-tax Act 1961. Interest on Government securities along with income in the form of interest or dividends on other approved investments will be exempt from Income-tax subject to a limit of Rs 3,000/- per annum and subject to other provisions of Section 80L of the Income-tax Act, 1961.

The value of investments in the Loans now issued together with the value of other previous investments in Government securities and the other investments specified in Section 5 of the Wealth Tax Act, 1957 will also be exempt from the Wealth Tax upto Rs 1,50,000/-.

Subscriptions may be in the form of CASH/CHEQUE.

Securities of the following loans will also be accepted AT PAR for conversion into the new loans of the respective State Governments :—

Name of the loan tendered for conversion	*Name of the new loan issuable*
1. 4¾% Andhra Pradesh State Development Loan, 1976	6% Andhra Pradesh State Development Loan, 1986.
2. 4¾% Assam Loan, 1976	6% Assam Loan, 1986.
3. 4¾% Bihar State Development Loan, 1976	6% Bihar State Development Loan, 1986.
4. 4¾% Gujarat State Development Loan, 1976	6% Gujarat State Development Loan, 1986.
5. 4¾% Kerala State Development Loan, 1976	6% Kerala State Development Loan, 1986.
6. 4¾% Madhya Pradesh State Development Loan, 1976	6% Madhya Pradesh State Development Loan, 1986.
7. 4¾% Madras Loan, 1976	6% Tamil Nadu Loan, 1986.
8. 4¾% Maharashtra State Development Loan, 1976	6% Maharashtra State Development Loan, 1986.
9. 4¾% Mysore State Development Loan, 1976	6% Karnataka State Development Loan, 1986.
10. 4¾% Orissa Government Loan, 1976	6% Orissa Government Loan, 1986.
11. 4¾% Rajasthan State Development Loan, 1976	6% Rajasthan State Development Loan, 1986.
12. 4¾% Uttar Pradesh State Development Loan, 1976	6% Uttar Pradesh State Development Loan, 1986.
13. 4¾% West Bengal Loan, 1976	6% West Bengal Loan, 1986.

If the cash value of the securities tendered for conversion is not an exact multiple of the issue price per cent of the new loan, the tenderer will receive in cash at the time of issue of the new securities the amount by which the value of the securities tendered exceeds the nearest lower multiple of the issue price. Interest for the half year ending 23rd August 1976 on the securities accepted for conversion, except that of Kerala, will be paid at the rate of 4¾% per annum at the time of issue of new securities. As 4¾% Kerala State Development Loan 1976 will be maturing on 25th August 1976, interest on securities of this loan accepted for conversion will be paid at 4¾% per annum upto and inclusive of 23rd August 1976 at the time of issue of new securities.

Applications for *all the loans* will be received at the offices of the Reserve Bank of India at Ahmedabad, Bangalore, Bombay (Fort and Byculla), Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna and the State Bank of Bikaner and Jaipur at Jaipur.

Applications will also be received *at other places within the respective States* as follows :

(i) Branches of the Subsidiary Banks of the State Bank of India conducting Government treasury work except at Hyderabad; and
(ii) Branches of the State Bank of India at places where there is no branch of its Subsidiary Banks conducting Government treasury work.

Applications for Kerala State Development Loan will also be received at Treasuries and Sub-treasuries in the State of Kerala at places where there is no branch of the State Bank of India or its subsidiaries conducting Government treasury work.

Securities will be issued in the form of Promissory Notes or Stock Certificates. The advantages of investing in the form of Stock Certificates are as under :—

(i) It is safer than a Government Promissory Note as the name of the holder is registered in the books of the Public Debt office.
(ii) The Stock Certificate will be sent to the applicant direct by registered post by the Public Debt Office.
(iii) The half yearly interest will be remitted to the holder direct by an interest warrant drawn at par on any Treasury or State Bank branch stipulated by the holder. If the holder so desires, the interest will be remitted by Money Order after deducting the Commission charges.
(iv) If the holder wishes to sell his securities he can do so by signing the transfer form printed on the back of the Certificates in the manner prescribed therein.
(v) Government Promissory Notes in exchange for the Stock Certificate can be obtained by applying to the Public Debt Office and on payment of a nominal fee for each new note required.

Copies of the Notifications and Application Forms may be obtained from any of the Receiving Offices mentioned above.

In the event of over-subscription to the loan applied for, applicants tendering applications at the offices of the Reserve Bank of India at Ahmedabad, Bangalore, Bombay (Fort and Byculla), Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna will be given the option of transferring their cash refunds to any other State Government loan which may still be open for subscription. To avail themselves of this facility, applicants should complete the "Special Option Form", copies of which can be obtained at any of the offices of the Reserve Bank of India mentioned above and tender the form along with their applications.

already been finalised under the military dictatorship might be frightening off some potential investors. And both the political situation in the middle east and the smouldering conflict between Greece and Turkey over Cyprus and the Aegean have had negative effects as well. On the other hand, successful negotiations with the EEC are sure to generate a favourable climate for investment, because Greece has some aces up its sleeve—such as a pool of skilled labour trained in western Europe.

Full Common Market membership will, of course, make it easier for companies to establish bases in Greece or expand existing activity there. Greek companies not measuring up to the new competition will be forced either to adjust themselves to it or go out of business. Full membership will also mean liberalisation of capital movements, which may cause some headaches in view of present-day foreign exchange controls and the relative insulation of the Greek market. Once the country is a full-fledged EEC member, it will have no choice but to make the necessary alterations in its economy, which is no simple task after seven dormant years.

political motives

Political motives, as well as economic ones, underlie the EEC membership application. Greece hopes that full membership will be its ticket to participate in making the basic decisions that are to mould tomorrow's Europe. At the same time, however, the country will have to shoulder part of the responsibility. As a full member, for example, Greece may be obliged to make an annual contribution of anywhere from $60 million to $150 million; the actual amount is a matter for negotiation. Another important point is the financial assistance from the EEC to enable Greece to make the necessary structural adjustments. Greece puts this requirement at $500 million, of which $312.5 million would be earmarked for infrastructure expansion and $187.5 million for modernising agricultural production.

Without a doubt, the thorniest item on the future negotiating agenda will be the reform of Greek farming to reconcile it with EEC agricultural policies, for this will necessitate drastic changes in both production methods and legislation. Farm produce makes up the bulk of Greece's exports to the EEC, and the important thing to note in this connection is that the EEC would set the prices. Another possible source of problems is the fact that two other common market members, France and Italy, happen to grow the same kinds of fruit and vegetables. Thus Greek agriculture would be forced to shift gradually to more appropriate crops in terms of completing the farm production of other member countries.

Greece is determined to go all out to strengthen its position in the western world and to orient its economic development westward. The Suez Canal reopening is of special significance for the country in that it improves the shipyards' prospects. Furthermore, Greek ports could well serve as pivotal distribution points, for trade with the middle east. The need for capital and the desire to foster relations with Europe moved the government to approach the EEC. Plentiful labour, an energy balance that is improving with the discovery of oil and brown coal deposits, and revenue from shipping, tourism and remittances from Greeks working abroad are factors pointing towards a favourable economic future.

Oil is already being produced near the island of Thasos in the Aegean Sea. Oilmen expect a production rate of 50,000 barrels a day at the outset, but this should grow as new finds are exploited. To appreciate the significance of this oil production, one need only consider that Greece imported 8.3 million tonnes of oil from the Arab countries in 1974, and that its price tag of more than $900 million represented 20 per cent of all imports. Based on the most recent Greek fuel consumption figures, the oil produced near Thasos will cover about one-third of domestic needs.

The government is currently preparing a new capital investment law that may take effect before the year is out; it will augment the already substantial guarantees included in the new constitution. The new law will make some changes in the transfer of dividends and provide the basis for a more selective investment policy. Another factor that may well increase people's interest in Greece is the shadow cast over Beirut's role as middle east financial centre by the civil war in Lebanon.

If foreign companies with subsidiaries active in the middle east market are looking for a new base of operations, Athens' geographical position and infrastructure would seem to recommend

SAS : Three Decades of Enterprise

Scandinavian Airlines System—SAS—celebrated its 30th anniversary on August 1, 1976.

Representatives of the national airlines of Denmark, Norway and Sweden signed the agreement creating SAS at a meeting in Oslo, Norway, on August 1, 1946. The result was a milestone in Scandinavian cooperation, with three smaller carriers combining their resources to develop what has today become one of the world's leading international airlines.

In the three decades since its inception, SA has flown more than 82 million passengers almost five times the population of its three parent countries, and 1.3 million tonnes of cargo.

SAS began operations six weeks after its foundation on September 17, 1946. The single route, flown by 44-passenger DC 4s, linked the Scandinavian capitals with New York. A second route was inaugurated to South America on November 30, the same year.

In its first year of operations, SAS transported more than 21,000 passengers and 300 tonnes of cargo on its two routes. The fleet consisted of seven DC-4s and employees totalled 1,100.

In the most recent calendar year, 1975, SAS carried 6.8 million passengers and 115,000 tonnes of cargo. The unduplicated net work of 263,000 kilometres now spans 102 cities in 53 countries on five continents. The SAS fleet currently stands at 73 aircraft, and personnel number about 15,000.

In 1948 the participating airlines of the SAS co-operation formed a European counterpart to the Scandinavians' intercontinental operations. In 1951 the partners drew up a broader consortium agreement covering all intercontinental, European and domestic services The agreement, retoractive to October 1, 1950, was extended last year to be valid until 1995.

SAS's history contains wealth of pioneering achievements in the tradition of international transport and navigation dating back to Viking days. It developed the Polar route and North Pole short-cut for commercial aviation in 1950, and the Trans-Asian Express a decade later. It was first with Caravelle jets, in 1959, and first with the DC-8-62, DC-9-41 and DC-9-21 a jetliner generation later.

Besides expanding airline operations, SAS has in recent years branched out into numerous travel-related fields. Today the airline has interests in restaurants and other catering activities around the world, in a dozen hotels in Scandinavia, and in travel agencies, tour operators and domestic airlines in its three home countries.

The parent companies of SAS are Danish Airlines (DDL, Founded in 1910), Norwegian Airlines (DNL 1927) and Swedish Airlines (ABA, 1924). These three limited companies are owned 50 per cent by private interests and 50 per cent by their respective governments.

it highly. Some firms have already moved their headquarters to the Greek capital. For the government, then, the present circumstances are auspicious for attracting foreign companies. And if Athens were gradually to become the economic and financial hub of the eastern Mediterranean region, it would obviously be in the EEC's interest to speed up Greece's integration.

Courtesy: *Swiss Bank Corporation*

Sick economy of Sri Lanka

Vinod Mehta

The rate of domestic savings fell sharply in Sri Lanka during the last five years, partly due to rampant inflation. The trade deficit in 1975 was the highest in the recent history of the country. The bill for subsidising the sale of foodgrains was heavy. To top it all, unemployment rose because opportunities for jobs were coming forth in a sluggish manner. The author is not sure if the inflow of foreign capital will be able to solve the crisis currently facing Sri Lanka.

ECONOMIC CRISES are at the root of political discontent in Sri Lanka. Under the existing conditions only a massive dose of foreign aid can temporarily rid the economy of some of its ills.

Both the rate of savings as a percentage of Gross Domestic Product and gross investment as a percentage of Gross National Product (at currunt market prices) have gone down considerably. The rate of domestic savings decreased from 18.1 per cent in 1970 to 15.2 per cent in 1973 to 8.9 per cent in 1974. The official explanation is that inflation is eating into savings. Correspondingly the gross investment has gone down from 19.7 per cent in 1970 to 16.9 per cent in 1973 and to 14.2 per cent in 1974. The relatively high rate of investment in 1974 as compared to the rate of domestic savings is to be explained by massive foreign assistance it received in that year. But Sri Lanka cannot expect massive assistance every time its savings go down unless it is prepared to pay an economic and political price for it. The growth rate during 1971-75 has ranged between 0.9 per cent and 3.5 per cent with an annual average of 2.8 per cent.

As a consequence of declining savings and investment the contribution of agriculture and manufacturing to the Gross Domestic Product is also going down as shown in Table I.

This trend, particularly in the agricultural sector, is the most alarming, for Sri Lanka's economy is dangerously dependent not only on the exports of tea, rubber and coconut (its major exports) but also on the import of foodgrains. According to Mr Colvin R. de Sitva former minister of Plantation Industries, 56.2 per cent of total imports consist of consumer goods (food, drinks, sugar, milk and milk products and textiles) while the rest accounts for intermediate and investment goods.

TABLE I

Share of Major Sectors in GDP of Sri Lanka

(in %)

	Agriculture	Manufacturing	Others
1965	36.7	12.4	50.9
1970	34.9	13.6	52.9
1974	33.1	12.6	53.8

Source : Economic and Social Survey of Asia and the Pacific, 1975 (Bangkok, 1976).

The heavy dependence on the export of primary commodities and import of foodstuffs has created a balance of payments crisis for Sri Lanka. The rising import prices and declining export prices of its goods have created a serious trade deficit while its foreign exchange reserves are said to be at a very low level. In 1974, the prices of exports compared with imports were about 35 per cent of what they were seven years ago. Sri Lanka's trade dificit for the selected three years is given in Table II.

TABLE II

Sri Lanka's External Trade

(Rs million)

	Exports	Merchandise imports	Trade deficit
1974	3376	4603	1227
1975*	3648	5550	1902
1976@	3878	5436	1558

* Estimate @ Forecast

Source : *Economic Review*, (Published by the People's Bank, Sri Lanka), Jan. 1976.

The trade deficit was the highest in 1975 in spite of the fact that 1975 saw a rise in the prices of tea, rubber and coconut and earnings from these items were the highest recorded for more than a decade. But this was more than offset by the heavy import bill for food and raw materials.

The expected fall in the trade deficit in 1976 is based on the assumption that its import of food items will go down. The planned import volume of rice in 1976 is 300,000 tons as against 400,000 tons in 1975 and for wheat flour 250,000 tons as against 450,000 tons (imported at a cost of Rs 756 million) in 1975. Of the 250,000 tons of wheat flour to be imported this year, Sri Lanka will receive 100,000 tons from the USA under PL-480 scheme.

Besides importing food on a large scale, the Sri Lanka government sells it at a highly subsidised rates. As a result the exchequer in Sri Lanka has been losing millions of rupees. For instance, in 1975, the government subsidised the sale of rice to the tune of Rs 1,001 million, sugar Rs 85 million and infant food/milk Rs 6 million, making a grand total of Rs 1,092 million. This subsidy in a sense could be described as diversion of resources from productive to unproductive uses.

Along with falling investment and deteriorating terms of trade, unemployment is on the increase in Sri Lanka. It is estimated that in 1976, 900,000 persons (out of a population of 13.6 million) or 19 per cent of the labour force are unemployed. According to *Economic Review* (of People's Bank, Sri Lanka, Jan. 1976), "It is doubtful whether the magnitude of development expected in 1976 could lead to any significant reduction in the level of unemployment. The chances are that unemployment will continue to be a major problem in 1976 and that the level of unemployment could even show some increase."

unemployment problem

The sectorwise unemployment during 1971-76 was as follows: agricultural sector 37 per cent (300,000 persons); manufacturing and construction 28 per cent (225,000) and service sector 35 per cent (285,000). The districtwise breakdown of unemployment is given in Table III.

Thus to meet the mounting threat of unemployment, the new Finance minister Felix Bandaranaike clearly indicated in his budget speech that he will welcome large-scale foreign capital and investment. To quote him from his 1976 budget speech: "What we do require is the infusion of new external capital from private sources to be used in the establishment of new enterprises in this country, to provide new employment for our people, to teach them new skills, to develop new projects, to provide management consultancy services and to provide a catalyst service to bring them the talents and skills, technical competence and know-how that has to be brought in here to modernise our nation and to bring it in line with the international community." Further, he also revealed that he will allow more foreign banks to open branches in Sri Lanka. Ironically enough while the Finance minister is all for foreign capital and firms, his bank's economic journal is carrying pictorial stories on the disadvantages of foreign capital and exploitation by the multinationals.

However, three American firms—Pfizer, Singer and Union Carbide have already got clearance from the Sri Lanka government, while others are still negotiating. Whether foreign capital will solve Sri Lanka's economic crisis only time will tell.

But in spite of this gloomy economic picture, Sri Lanka has been able to take two important steps. First, it has successfully carried out the land reforms in the shortest possible time. The government is willing to distribute the surplus plantation land to the educated unemployed, but they are reluctant to take to plantation or farming and prefer white collar jobs. The second step is related to equitable distribution of income. The limit on maximum disposable income per month has been fixed at Rs 2,000. But as it has turned out people have found ways and means to earn extra money or to conceal their extra incomes.

TABLE III

Unemployed in Sri Lanka—District-wise

District	Percentage of labour force unemployed			Number unemployed		
	Total	Male	Female	Total	Male	Female
Sri Lanka	18.7	14.3	31.1	839264	474065	365199
Colombo	26.6	19.6	50.4	259315	147395	111920
Kalutara	26.2	19.8	42.4	69502	37360	32142
Galle	26.2	19.6	40.3	68539	34865	33674
Kegalle	23.1	18.1	35.9	52440	29744	22696
Matara	21.4	15.5	34.8	41879	21119	20760
Kandy	18.0	14.9	24.2	81181	44765	36416
Ratnapur	16.7	13.3	24.5	42921	23865	19065
Hambantota	16.2	11.6	34.8	16890	9661	7229
Puttalam	14.3	10.1	30.1	18756	10467	8289
Kurunegala	14.2	10.4	25.3	50143	27205	22938
Badulla	13.8	12.4	16.5	32473	18675	13798
Jaffna	12.6	10.2	31.8	23716	17140	6576
Polonnaruwa	11.8	8.7	29.0	6765	4269	2496
Trincomalee	11.5	10.0	7.1	6526	5203	323
Amparai	11.2	8.8	34.0	8722	6257	1465
Matale	10.7	9.0	15.1	12105	7194	4911
Nuwara Eliya	10.3	10.5	10.2	21207	12518	8689
Moneragala	10.3	8.1	19.6	6442	4059	2383
Batticaloa	8.8	7.0	31.1	6352	4636	1716
Anuradhapura	7.2	5.2	12.5	10412	5427	4985
Mannar	5.5	4.8	19.0	1329	1082	247
Vavuniya	5.2	4.0	17.2	1649	1159	490

Source: 1971 census.

Nuclear industries in Czechoslovakia

In this article sent to us by the Czechoslovak embassy in New Delhi, it is shown that Czechoslovakia and Soviet Union are working jointly in the field of nuclear research as well as in the utilisation of nuclear energy for economic expansion. According to the long-term plans drawn up by the Czechoslovak authorities, the nuclear power plants and heating plants will account for 31 per cent of the total installed capacity of the power plants in Czechoslovakia in 1990.

ONE OF the most demanding tasks of the Czechoslovak national economy in the present five-year plan period 1976-80 and in the subsequent years is to ensure a sufficient supply of fuels and energy, especially in their most progressive form, i.e. electric power. Even though in 1975 Czechoslovakia produced nearly 60,000 million kWh electric power, thus outstripping many advanced countries in per capita electricity production, the development of its economy and the programme to raise continuously the standard of living of its population requires electricity production to grow steadily at a relatively high rate.

long-term plan

In view of the considerable deposits of brown and bituminous coal (in 1976 production will reach 116.6 million tonnes), the basis of the Czechoslovak energy system are big thermal power plants using solid fuels. This will be so even in the next 20 years because coal production is to continue to rise (to 120-125 million tonnes in 1980) until the turn of the century, when it is to drop again.

Nevertheless, from the point of view of power plant construction this is not such a long time and therefore Czechoslovakia is contemplating increasingly the construction of a system of nuclear power plants.

The process started in fact in spring 1955, when Czechoslovakia and the Soviet Union concluded an agreement on nuclear research and the utilisation of nuclear energy in the national economy. Since then Czechoslovak-Soviet cooperation in the sphere of peaceful utilisation of nuclear energy has greatly increased.

Under the agreement Czechoslovakia took upon itself the research-development task of building a nuclear power plant with a reactor using natural uranium metal with a heavy-water moderator and carbon dioxide cooling. The construction of this nuclear power-plant, Czechoslovakia's first, with an installed output of 150 MW, at Jaslovske Bohunice in Slovakia, was a great experience for the nascent branch of Czechoslovak nuclear power engineering and the follow-up engineering branches. Czechoslovak metallurgical and engineering works, especially the Skoda Works in Plzen, VZKG Ostrava, the First Brno Engineering Works, the Dubnicke Strojirny Engineering Works, CKD Praha and other factories developed and produced the necessary material and equipment for the reactor, for the primary and secondary circuits of the power plant.

harnessing nuclear power

The power plant was put into operation in 1972 and its scientific and research importance is extremely great not to speak of the contribution it is making with the energy it generates. This is a reality about which nothing can be changed despite the fact that after 1969, on the basis of comprative calculations for different types of nuclear power plants, Czechoslovakia re-oriented its production to the light-water type reactor, fully tried and tested already at that time, developed in the USSR as type VVER. These power plants are using enriched uranium, which is more expensive, but the investment costs for the plants are lower, their equipment simpler and as moderator and cooler they are using ordinary (light) water. Their greatest advantage, however, is absolute safety and reliability

The construction of these power plants in Czechoslovakia is a new stage not only in the development of Czechoslovak nuclear power engineering, but also in Czechoslovak-Soviet cooperation in this field. With the assistance of the Soviet Union, which will supply mainly the reactors and the primary circuits for the power plants, Czechoslovakia is building two VVER-type power plants with an aggregate capacity of 1700 MW (each power plant has two reactors with an output of 440 MW each).

Czech-Soviet cooperation

The Soviet Union will also ensure the enriching of the uranium supplied by Czechoslovakia which will keep the power plants in operation. Czechoslovakia is in charge of the projection, documentation, building and assembly work and the equipment of the secondary part of the power plants, especially as regards the supply of turbo-generators accessories.

The first of these power plants, designated V-1, is being built at Jaslovske Bohunice. It is to be completed in 1978. The other power plant, V-2, is situated in southern Moravia, near Dukovany on the river Jihlava. The prospects are that by the end of the sixth five-year plan period (1976-80) and at the beginning of the following five-year term, at least one nuclear power generating block, with a capacity of 400-500 MW, should be put into operation annually. Besides this Czechoslovakia is studying possibilities of building nuclear heating plants; the first nuclear heating plant is envisaged for Prague, the second for Brno.

All research to date, the analyses and

prognoses have confirmed unequivocally the correctness and indispensability of orientation towards a speedy construction and development of the nuclear power industry in Czechoslovakia, not only as regards the reserves of primary energy sources, but also as regards the advantages which nuclear power plants offer (especially in Czechoslovakia) in comparison to classical thermal power plants using solid fuels:

—they need only small amounts of nuclear fuel, in items of weight and their distribution is not tied to the location where uranium ores are extracted;

—they represent a pure source of energy, have no harmful effect on the surroundings and their construction improves the living environment;

--they make possible the construction of big, large-capacity energy sources next to the places of consumption, so that lower investment costs per unit of energy produced and for the transmission of electricity are involved;

—the cost for the transport of fuel is several times lower in comparison with power plants using coal, and no additional transport investments are required.

Moreover there are the generally valid findings and estimate of possibilities, unsuspected in the past, of using the nuclear fuel in new, so-called fast reactors, not to mention the envisaged, much larger sources of energy arising from thermonuclear synthesis (bonding of light atom nuclei).

The variants of development of the Czechoslovak electrification system therefore presume that between 1980 and 1985, nuclear power plants and heating plants will cover around 45 per cent of the overall increases of power plant output, and in 1985-90 as much as 75 per cent. This means that in the structure of power plant facilities, the share of nuclear power plants and heating plants will be increasing according to this variant. The envisaged structure of Czechoslovak power plants until 1990 is shown in the following table (in per cent):

	1980	1985	1990
Required output	100	100	100
of which:			
Conventional public power plants	77.7	72.1	60.4
Nuclear power plants and heating plants	5.8	16.5	31.0
Factor power plants	13.0	9.6	7.3
Import	3.5	1.8	1.3

Besides the importance of developing nuclear energy as a source of energy as such, this branch has a great significance also for Czechoslovakia's key industry—engineering. Czechoslovakia, again in cooperation with the Soviet Union, will be making reactor sets, control systems and protection of these reactors, turbosets with a capacity of 220 and 440 MW, and in future of 1000 MW, steam generators, tubes and armatures up to a diameter of 500 mm, measuring and regulation equipment etc. Czechoslovakia will also be making deliveries of this equipment for the construction of nuclear power plants in other socialist countries.

Another important thing is that today Czechoslovakia has an extensive research, developmental and production base in nuclear engineering using unique equipment and staffed by 5,000 skilled workers, technicians and scientists.

All nuclear centres in Czechoslovakia cooperate closely with similar centres in the other socialist countries, especially the Soviet Union. For example, Czechoslovak specialists participated in the development of a reactor prototype, the VVER 1000, in Voronezh, and are also working on research projects concerned with the most progressive nuclear energy trends, the research of the so-called fast reactors and theoretical research in the sphere of thermo-nuclear syntheses.

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TRADE WINDS

Rules for Foreign Contributions

ACCORDING TO the rules framed under the Foreign Contribution (Regulation) Act, a 30-day limit has been set for intimation to government regarding the receipt of any such contribution by an association or an individual. The Act came into force on August 5. A notification on the enforcement of the Act and on the rules framed under it was published recently in a gazette of India extraordinary. The Act was passed by Parliament in March this year.

Regulatory Nature

The Act envisages three kinds of restrictions of a prohibitory or regulatory nature. One is of total prohibition of acceptance of foreign contribution or hospitality, the second is the acceptance with prior permission of the central government and the third is a legal obligation to send intimation and render accounts to the central government after receipt of foreign contribution.

Accordingly, recipients of foreign contribution have been grouped into three categories.

The first category covers organisations and individuals who may be deemed as a sensitive and important category in our national life such as candidates for elections, government servants, members of legislatures, political parties and their office bearers, correspondents, columnists, cartoonists, editors, owners, printers and publishers of registered newspapers. They are totally prohibited from receiving any foreign contribution. The second category includes organisations which, not being political parties themselves, may be deemed as organisations of a political nature, having regard to their activities or associations with political parties. The Act lays down that this category shall not accept any foreign contribution except with the prior permission of the central government. The third category covers associations having definite cultural, academic, religious or social programmes. They are required under the Act to give, within a prescribed time, intimation to the central government about the amount of foreign contribution received by them, the source from and the manner in which special foreign contribution was received and the purpose for which and the manner in which such contribution was utilised by them.

Interest on Retained Additional DA

The union government has given an option to an employee making compulsory deposit under the Additional Emoluments (Compulsory Deposit) Act, 1974, to retain the amount deposited till superannuation or until July 1981. If an employee exercises the option to retain the first instalment of additional dearness allowance deposits due to him, together with interest which is also to be paid along with the first instalment, the entire amount thus retained voluntarily in the deposit account will fetch an attractive rate of interest viz. simple interest of two and a half per cent over and above the maximum bank deposit rate (interest payable on compulsory deposits thus amounting to 12 and a half per cent per annum at present). The entire amount will be repaid to the employee along with interest on July 1, 1981.

Powers of Chief Labour Commissioner Reduced

The Chief Labour Commissioner (Central) will no longer be the specified authority to permit lay-offs and retrenchments in the central sphere. The powers have been transferred to the Labour ministry's Additional Secretary or the Joint Secretary in-charge, with immediate effect. Accordingly hereafter all applications under Sections 25 M and 25 N of the Industrial Disputes (Amendment) Act for approval would require to be addressed to the Additional Secretary or the Joint Secretary and not to the Chief Labour Commissioner (Central). The Industrial Disputes Act was amended by the Industrial Disputes (Amendment) Act 1976, making it obligatory for employers of industrial establishments in factories, mines and plantation employing not less than 300 workmen on an average a day to obtain the prior approval of a specified authority before an employer lays off or retrenches his workmen.

Civil Supplies for Mir Qasim

The President has, on the advice of the prime minister, directed that Mr Mir Qasim, at present minister without portfolio, shall be minister of Civil Supplies and Co-operation and Mr A. C. George, at present minister of state in the ministry of Industry and Civil Supplies, shall be minister of state in the ministry of Civil Supplies and Co-operation.

Bharat Refineries Officials Pay Freeze

The government has issued an order freezing from August 1 the salaries of officials of the Bharat Refineries Limited (formerly Burmah-Shell) whose gross pay is Rs 4,000 or more a month. This interim step was meant to rationalise the remunerations and conditions of service of the employees of the erstwhile Burmah-Shell undertakings in India who were taken on the rolls of Bharat Refineries Limited on January 24. The interim order also provides for some marginal changes in the salary scales of management staff drawing less than Rs 4,000 and for the withdrawal or certain perquisites.

Terms Altered

Under the altered terms, no air-conditioners will be provided by the company at the residence of the officers. Nor will the staff get free fuel, electricity or cooking gas. The special dearness allowance would also be withdrawn from August 1. The practice of the company paying their sweeper's wages will be discontinued. The reimbursement in respect of gardener's wages and garden maintenance would be reduced. Expenses on account of employing watchman would be reduced to a maximum of Rs 150. However, house rent allowance will continue to be drawn on the existing basis. Functional heads like Director (Technical) can use one car without any limit of mileage but officers who may hereafter be promoted to this group would be permitted limited free mileage. Loans with a ceiling would be given to buy cars, motor-cycles and scooters to all confirmed management staff.

Panel on TV Industry

The Department of Electronics has set up a high level panel to examine and report on the cost and price structure of the TV receiver industry with a view primarily of suggesting measures for further reducing the prices of TV sets. The panel will also examine quality control measures practised by TV component and TV receiver manufacturers and suggest methods for maintaining high quality while implementing cost reduction measures. It will also examine the present practices of after-sale-service of TV receivers and suggest measures for improving them. The panel, which is to submit its report within three months, is headed by Mr S.S. Marathe, Chairman, Bureau of Industrial Costs and Prices. It includes Mr J.P. Kacker, Additional Secretary, Department of Defence Supplies, Mr U. Venkataswarlu, Managing Director, Central Electronics Limited, Mr A.K. Majumdar, a specialist in electron tube technology, Mr R. Rajagopalan, Chief Cost Accounts Officer, ministry of Finance, and Dr R.C. Chopra, Senior Scientific Officer, Information, Planning and Analysis Group of the Electronics Commission.

Prices of Levy Sugar Refixed

On the basis of the recommendations contained in the interim report submitted by the Bureau of Industrial Costs and Prices, the government of India has refixed the ex-factory prices of levy sugar for the different zones. The new prices came into effect from August 3, 1976 The new ex-factory prices of levy sugar of D-29 grade, as compared to the prices which were notified in February last are given in tabe below.

Ex-factory Levy Price of Sugar

Zone	New prices (Rs per qtl)	Prices notified in February 1976 (Rs per qtl)
West UP,	163.79	161.68
Central UP	168.15	176.03
East UP	202.91	205.38
North Bihar	217.24	240.67
Assam, Orissa, West Bengal & Nagaland	218.98	188.55
Punjab	214.75	211.24
Haryana	169.73	208.04
Rajasthan	199.14	205.65
Madhya Pradesh	180.66	199.56
Maharashtra	155.56	142.96
Gujarat	169.95	147.76
Karnataka	173.45	140.71
Andhra Pradesh	141.96	125.86
Tamil Nadu and Pondichery	178.23	183.49
A. South Bihar	274.60	286.62
B. Kerala	224.45	212.69
C. Goa	224.45	142.96

IDBI Incentives for Small Units

A number of incentives have been announced by the Industrial Development Bank of India to small-scale industrial units which are willing to make some capital outlays for augmenting their quality control and testing facilities. The IDBI has issued detailed instructions to state financial corporations and commercial banks to extend certain incentives to small-scale industrial units for quality control and testing facilities. The incentives are: (a) 100 per cent refinance facilities in respect of loans granted by eligible institutions to small-scale units, without any margin, for purchase of quality testing equipment; and (b) A rebate of ½ per cent per annum in the interest rate charged to small-scale units.

New Facilities

The above facilities would be granted to small-scale units acquiring the ISI mark for their products or those undertakings which produce goods to recognised international specifications. An official committee under the Chairmanship of Brig B.J. Shahaney, Secretary (Technical Development), ministry of Industry and Civil Supplies, is currently examining the entire spectrum of issues relating to quality control and pre-shipment inspection of engineering exports including promotional measures for creating further quality awareness throughout the industry and for giving an unqualified quality assurance to overseas customers of Indian products and equipment in the context of increasing exports. The committee is looking into the coverage of products under the Export (Quality Control and Inspection) Act, various modes of inspection, competent inspection agencies, augmentation of testing facilities and related issues. It has had a number of sittings and dialogues with leading chambers of commerce and industry, associations of industry and expert groups. Its report is expected to be submitted to the government by the end of August, 1976.

Basic Excise Duty on Levy Sugar

The government has reduced the basic duty of excise on levy sugar from fifteen per cent to ten per cent from August 3, 1976. The rate of duty would be applicable to sugar produced during the sugar season of 1975-76 but cleared as levy sugar on or after August 3.

Acquisition of Metal Corporation

The president promulgated recently the Metal Corporation (Nationalisation and Miscellaneous Provisions) Ordinance, 1976. The Ordinance provides for the repeal of the Metal Corporation of India (Acquisition of Undertaking) Act, 1966 under which the Metal Corporation of India was acquired by the central government with effect from October 22, 1965. The Ordinance also provides for the taking over by the central government of the management of the MCI from October 22, 1965 to August 1, 1976 and for the acquisition of MCI with effect from August 2, 1976. This has been done in order to enable the central government to exploit, in public interest, to fullest possible extent the zinc and lead deposits in and around Zawar area in Rajasthan and to utilise these minerals in such a manner as to subserve the common good. The Ordinance further provides for the payment of specific amounts for the management period and for the acquisition of the MCI. Consequential provisions with regard to the transfer of employees and safeguarding their interests have also been included in the Ordinance.

Oil Prospects Brighten

Petroleum minister, Mr K.D. Malaviya, recently announced that the prospects of finding oil and gas in the country had further brightened following discovery of oil in a well on the 'fault' structure between Bombay High and Bassein, the two areas where presence of oil had already been established. The minister who was addressing the Parliamentary Consultative Committee of the ministry of Petroleum, stated that after Bombay High, oil had been found on the Bassein North followed by a gas strike on the Bassein south structure. Now that oil had been found in the 'fault' structure lying East of Bombay High, it was reasonable to assume that the pools of oil around Bombay High may be stretching for quite a long distance, opening better prospects, more so because on the South West of Bombay High also there are indications of oil.

Oil on Land

Mr Malaviya said that onshore oil also had been found at various locations in Gujarat and Assam. In the last three years Oil and Natural Gas Commission has raised its production from 3.72 million onnes io 4.15 million tonnes in Gujarat and from 0.39 million onnes to 1.12 million tonnes n Assam. During this period, ONGC discovered oil at Asjol, anaokhurd, Siswa, Nandasan nd Bhandut in Gujarat and at Charali in Assam. With the discovery of fresh but small oil reservoirs in Gujarat, it would be possible to maintain the present quantum of oil production from that region despite natural depletion of the Ankleshwar oilfield which was currently producing around three million tonnes per annum. Assam prospects, the minister said, were still better and extensive programme of drilling in the eastern region had been drawn up. Already oil production from Assam had been increased by 1.3 million tonnes.

Apart from the eastern and western regions comprising Assam and Gujarat, oil exploration is to be resumed in the North Himalayan region where drilling would be undertaken after the monsoon season. The locations in this region included Ramshehar near Kasauli and Jawalamukhi and in Pilibhit

Kandla free trade Zone

Offers yet another incentive to exporters

open general licence

For import of raw materials, spares and components in addition to 10 incentives already available.

For details Contact:
DEVELOPMENT COMMISSIONER,
KANDLA FREE TRADE ZONE,
GANDHI-DHAM, KUTCH.

davp-76/225

area. In West Bengal also the search for oil in the Delta region was intended to be intensified. Geologists agreed that river deltas had generally very good prospects for oil.

Sugar Output

According to the Indian Sugar Mills Association, the sugar production in the month of June, 1976, the ninth month of the season 1975-76 was about 7,000 tonnes as against 52,000 tonnes during the corresponding period last season. This brings the total production during the first nine months of the season 1975-76 to about 4,228,000 tonnes as against 4,749,000 tonnes during the corresponding period last year. The off-take of sugar from factories during the month of June, 1976, was about 285,000 tonnes for internal consumption and 22,000 tonnes for exports as against about 292,000 tonnes for internal consumption and 39,000 tonnes for exports in the corresponding period last season. The total despatches in the first nine months in 1975-76 were 2,672,000 tonnes for internal consumption and 876,000 tonnes for export as against 2,449,000 tonnes for internal consumption and 602,000 tonnes for exports during the corresponding period last season. The total closing stock of sugar with the factories as on June 30, 1976, was about 1,887,000 tonnes as against 2,526,000 tonnes on the same date last season.

Safety Award for Nangal Unit

The National Safety Council of the USA has conferred its highest award—the Award of Honour—on the Nangal Unit of the Fertiliser Corporation of India for its outstanding safety performance during 1975. During the past ten years the Nangal Unit's safety achievements have won for it seven times the Award of Honour and nine times the Award of Merit from this international organisation. The council gives the award of honour to those factories whose accident-free period is over three million man-hours and the safety performance is found better by over 50 per cent frequency rate and 30 per cent severity rate than the par value for the fertiliser industry. The safety achievement of Nangal in 1975 was 87 per cent frequency rate and 99 per cent severity rate which is better than the par value.

The Award of Merit is given to those factories whose accident-free period is over one million man-hours and safety performance is better by over 30 per cent frequency rate and 10 per cent severity rate than the par value for the fertiliser industry. Besides these international awards, the Nangal Units has also to its credit five National Safety Awards and two Commendation Certificates from the government of India during the past decade.

Indo-US Workshop on Solar Energy

Inaugurating the first Indo-US Workshop on Solar and Wind Energy recently, the minister for Energy, Mr K.C. Pant stated that joint projects in the field of solar energy by India and the United States could lead to quick benefits and help in expediting results and reducing the total costs involved. He expressed the hope that the first workshop would be able to identify projects which could be taken up jointly with clear-cut responsibilities on either side and definite time-schedules. Mr Pant pointed out that both India and the USA were amply endowed with solar energy. It was, therefore, appropriate that two countries should plan to make full use of this inexhaustible source of clean energy.

Referring to the need for research in solar energy, Mr Pant said: "An important aspect in the field of solar energy is developing a collector system which can then be used for either energising irrigation pumps or space heating. A major focus of research has to be at decreasing the cost of collectors and increasing their efficiency." The use of solar energy for the production of electricity would be yet another area of considerable interest to both the countries. India, Mr Pant said, was presently working on the development of small power plant of capacity ranging between 10 to 100 Kws. Such power plants could be of some interest to the United States also. India was equally interested in developing large-sized power plants based on solar energy and an ideal location for such work in this area was in Rajasthan. The photo voltaic conversion of solar energy into electricity is again a matter of considerable interest to both the countries and considerable resources and efforts are already being devoted to this. The bio-chemical conversion of solar energy is an area of considerable promise. India is already going in for a large programme of installing bio-gas plants for domestic cooking

Family Planning in Iran

Some 2 million Iranian women have taken to birth control methods and the birth ratio is down from 51 in a 1000 to 40. The present population growth rate is at present estimated at 2.6 per cent and the Family Planning Commission is aiming at a drop to one per cent in 20 years. Commission head Dr. Amir Mansour Sardari stated that the programme began 9 years ago and now reaches most of the country. Dr Sardari's family planning workers have approached 30 per cent of Iranian women—about 6 million—and given advice and instructions. Around 14 million contraceptive pills were distributed last year.

Special Assistance to Technical Institutions

The planning commision has earmarked one and a half crores of rupees for direct central assistance to selected technical institutions for quality improvement. The Education ministry is evolving proposals for this purpose. This information was given by Prof S. Nurul Hasan, minister for Education, Social Welfare and Culture, at the first meeting of the newly constituted Consultative Committee of Members of Parliament for his ministry. The assistance has become necessary because of the shortfall in expenditure on technical education by states, as compared to the Plan outlay. The committee was informed that the government had already decided to write off a little over Rs 5 crores representing half of the total loans to non-government technical institutions for construction of hostels. The minister, however, ruled out the possibility of writing off the balance, in view of the paucity of resources.

In a reference to vocationalisation, as part of the new educational pattern, the minister said that he has been regularly in touch with state governments, stressing the urgency of this programme.

Trade with Australia

Australia has promised India to have a second look at import restrictions placed on Indian textiles and to make an attempt to chalk out a practical solution within the framework of its existing policy. India was assured that Australia has no intention to discriminate against India in the matter of textiles import. This was the crux of the discussions held between the Commece minister, Prof D.P. Chattopadhyaya and the Australian Overseas Trade minister, Mr J.D. Anthony in Canberra recently. Both sides initialled the first ever trade agreement reached among them. Australia has limited the imports from many counties because of the pressure of unemployment in the domestic textile industry. The Indian stand has, however, been that her textiles exports did not in any way tend to compete with the production there. According to the details of talks available here, both sides have agreed that the proposal for setting up a joint venture for conversion of wool, which has been under consideration for some time, should be examined by a working party in order to finalise matters. Particular interest has been shown by the Australian side in proposals for joint ventures in other Asian countries as also for sub-contracting.

New Paint Developed by HEC

The foundry forge plant, one of the three units of the Heavy Engineering Corporation (HEC), Ranchi, has successfully developed anti-nitriding paint in its central laboratory. It is used for selective nitriding of crankshafts currently under manufacture for the Indian Railways at the Plant. It used to be imported from the USA. The indigenous development of the paint will save foreign exchange of more than one lakh rupees per year.

Skimmed Milk Powder from EEC

In the framework of the European Economic Community food aid programme for 1976, the European Commission has decided to allocate 19,650 tonnes of skimmed milk powder to 16 different countries. Available to India and neighbouring countries will be 12,350 tonnes of skimmed milk powder, of which the 5,000 tonnes offered to India is the largest amount, followed by Bangladesh (4,000 tonnes), Pakistan (2,500 tonnes) and Sri Lanka (850 tonnes).

MMT CExports

Export earnings of Minerals and Metals Trading Corporation (MMTC) have increased by 16 per cent in the first four months of the current financial year. During April-July, the earnings have totalled Rs 57 crores compared with Rs 49 crores in the same period last year. Of the total of Rs 57 crores, earnings from iron-ore at Rs 48 crores, accounted for a lion's share. While manganese ore has earned foreign exchange of the order of about Rs 4 crores, coal exports fetched Rs 3 crores, barytes exports, a new item canalised through MMTC, have fetched foreign exchange of about Rs 1.85 crores. So far as iron-ore exports during 1976-77 are concerned, MMTC has fixed a target of 14.7 million tonnes. Earnings from this level of sales are estimated at Rs 160 crores. Export earnings from manganese ore have been projected at Rs 23.5 crores. The quantity to be exported is placed at one million tonnes. Coal, another important item of export this year, is expected to earn foreign exchange of the order of Rs 49 crores. In terms of quantity, the target fixed is 1.9 million tonnes. Earnings from barytes have been estimated at Rs 9 crores, involving a quantity of 200,000 tonnes. Thus, MMTC's total export earnings during the current financial year are likely to be around Rs 240 crores. So far as the turnover during 1976-77 is concerned, the corporation has fixed a target of Rs 900 crores. Of this, exports are expected to account for Rs 240 crores, imports Rs 657 crores and domestic sales Rs 3 crores. The turnover during the first four months is placed at Rs 236.7 crores compared with Rs 245.4 crores in the same period of 1975-76. The lower level of turnover reflects less imports during April-July.

Names in the News

Mr John Adam Thomas, CMG, has been appointed as British High Commissioner to India in succession to Sir Michael Walker, GCMG, who will be retiring from the diplomatic service towards the end of the year. Mr Thomson is at present an assistant under-secretary of state in the Foreign and Commonwealth office in London. He is expected to arrive in India in early January 1977 to take up his new appointment.

Mr Henning Holck-Larsen, who has been elected to receive the 1976 Ramon Magsaysay Award for International Understanding is Chairman and Chief Executive of Larsen & Toubro Limited. Mr Holck-Larsen who came to India as a young engineer 40 years ago is recognised for his contribution towards India's technical modernisation, complementing industrialisation with human concern. He founded Larsen & Toubro Limited (L&T) as a partnership of two in 1938 and has guided its fortunes since. Today the L&T Group of companies employs over 10,000 persons all over the country and its turnover in 1975-76 exceeded Rs 112 crores.

Mr Henning Holck-Larsen

THE GWALIOR RAYON SILK MFG. (WVG.) CO. LTD.

Regd. Office :
BIRLAGRAM, NAGDA (M.P.)

NOTICE

NOTICE is hereby given that the Twentyninth Annual General Meeting of the Shareholders of the Company will be held at GRASIM CLUB, Birlagram, Nagda on Tuesday the 24th August, 1976 at 4.15 P.M. (S.T.) to transact the Ordinary and Special business mentioned in the Notice dated the 27th July, 1976 accompanying the Annual Report and Accounts for the year ended 31st March, 1976, separately posted to the Shareholders of the Company individually at their Registered Addresses.

The explanatory statement as required under Section 173 of the Companies Act, 1956, is annexed to the Notice.

NOTE :

A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER

Shareholders are requested to intimate to the Company change in their registered addresses, if any.

By Order of the Board
B. N. PURANMALKA
Secretary

August 2, 1976

COMPANY AFFAIRS

New Bank of India

NEW BANK of India Ltd has reported commendable progress during the year ended December 31, 1975, with deposits, advances and profits exceeding the previous year's performance by substantial margins. Deposits registered an impressive rise to Rs 145.85 crores and it outstripped the preceding year's figure by as much as Rs. 35.62 crores. The average deposit per branch which was Rs 64.46 lakhs in 1974 too rose to Rs 71.15 lakhs at the end of 1975. There was a significant increase in credit expansion during the year. As against Rs 9.11 crores in 1974, the increase in 1975 was of the order of Rs 18.75 crores. The total advances of the bank at the end of 1975 stood at Rs 81.78 crores. This includes bills aggregating Rs 2 78 crores rediscounted under the IDBI and new bill market scheme. The credit-deposit ratio of the bank at the end of 1975 worked out to 56.09 per cent.

Smart Rise

The profit, after meeting tax liabilities and making other usual and necessary provisions, recorded a smart rise to Rs 39.72 lakhs from Rs 28.55 lakhs in 1974. After adding the sum of Rs 4.12 lakhs brought forward, the total amount available for disposal amounted to Rs 43.84 lakhs. Out of this, Rs 20 lakhs were transferred to statutory reserve, Rs 5 lakhs to general reserve, Rs one lakh each to foreign exchange equalisation reserve, development reserve and dividend equalisation reserve. Although for the year 1975, the bank is in a position to declare a dividend of more than 12 per cent, the directors have recommended a dividend of 12 per cent only as per the guidance of the Reserve Bank of India. It has been decided to increase the capital of the bank by issuing rights shares in the ratio of 1:2. After the rights issue is fully subscribed, the paid-up capital of the bank will be Rs 75.57 lakhs.

Branch expansion activity gathered further momentum during 1975. As against 21 branches in 1974, the bank opened 34 branches in 1975, thereby carrying the total number of branches to 205, of which 36 branches were in metropolitan centres, 45 in urban, 73 in semi-urban and 51 in rural areas. In 1975, the bank entered the states of Bihar and Orissa. Since the commencement of the year 1976, the bank has opened branches at Coimbatore in Tamil Nadu, Jodhpur in Rajasthan, Bareilly and Ghatampur in Uttar Pradesh, Muzaffarpur in Bihar and Valsad in Gujarat. By the end of 1976 the bank will be having a network of about 255 branches.

Stewarts and Lloyds

Stewarts & Lloyds of India had changed its accounting period. The company's accounting year so far was for a 52-53 week period ending on Saturday nearest to 31st December in each year. For operational reasons it has been decided that the accounts for 1975 should close on December 31, 1975. Therefore, the accounts of the company for 1975 relate to the period commencing from December 29, 1974 and ending on December 31, 1975.

The company had record sales at Rs 7.79 crores during the year under review as against Rs 6.36 crores in the previous year. Production of fabricated pipework and tubular structurals from the company's fabrication shops amounted to 2489 tonnes during the year as compared to 2788 tonnes in the preceding year. The company continued to serve a wide variety of process and heavy engineering industries in the priority sector such as fertilizers, petro-chemicals, paper and pulp, power generation, steel, aluminium and a host of other industries. During the period under review construction of pipework and ancillaries were undertaken at 50 sites scattered all over the country.

Technical Expertise

Recognising the need to remain ahead technologically, the company continued to concentrate on developing technical resources to meet the demand for high skilled workmanship in the field of critical pipework fabrication and construction. The hot bending facilities for heavy carbon and alloy large diameter power station, oil, chemical and other pipework have been under successful production for some time. The directors are also exploring the possibilities of exporting the company's services and expertise abroad.

The company has earned during the year a profit of Rs 16.60 lakhs as against Rs 11.28 lakhs in the earlier year. The directors have recommended a dividend of 12 percent. This will absorb Rs 9.59 lakhs. The balance of Rs 7.01 lakhs has been transferred to the general reserve.

Lakshmi Mills

Lakshmi Mills Company Ltd has reported gratifying working results during the year ended March 31, 1976. The revenue from sales was maintained at the previous year's figure of Rs 20.71 crores. Export sales amounted to Rs 113.47 lakhs as against Rs 27.45 lakhs in the preceding year. The loss in fulfilment of controlled cloth obligation, after export set off, was around Rs 7.50 lakhs.

The policy of renovation and replacement was continued during the year under review but appreciable progress could not be made due to certain economic trends. Against the budgeted outlay of Rs 421 lakhs for modernisation programme, a sum of Rs 297 lakhs has been spent uptil now. Apart from the installation of Lakshmi-Rieter ring frames and Lakshmi Schweiter pirn winder during the year under review, three Skoda generators of 860 kva each, have been imported during the current year and are being installed. With these additional generators, the company is assured of captive power to the extent of 60 per cent.

The working of the company during the year has resulted in lower gross profit of Rs 104.22 lakhs as against Rs 149.51 lakhs in 1974-75. After providing for gratuity, bonus, depreciation and development

MINISTRY OF DEFENCE—INDIAN ORDNANCE FACTORIES

The General Managers of the following factories invites separate sealed tender/application for supply of the following item/works.

Machine Tool Prototype Factory, Ambarnath :

Supply of Non-Ferrous Stampings. Closing date 17-9-76. Tender form available @Rs. 5/- by postal order upto 4-9-76 (Only registered contractors should apply).

Ordnance Factory, Ambajhari :

Tender No. 4063/M.2/76-77/2233 · Furnace Solution Heat Treatment Vertical Spares for :—

Cage as per drg. No. EXT-286 (one sheet) as per materials given in the derg. max. Operating temp.—650°C.

Safe working load—1 Ton. Qty. reqd : 3 Nos.

Tender forms available @ Rs. 5/- crossed postal order upto 25-8-76. Request for tender forms will not be entertained from firms who are not registered with this factory/DGS &D/NSIC request for tender forms from firms registered with DGS &D/NSIC should be accompanied with photostat copy of proof of registration issued by the DGS &D/NSIC and latest Income Tax Clearance Certificate.

Ordnance Factory Bhusawal :

Tender No. 6112/Open/3/76-77/PV. Procurement of Cold rolled steel strips of sizes total Qty. 51 MT approx Closing date 10-9-76. Tender form available @ Rs. 2/- by crossed postal order upto 9-9-76.

Ordnance Equipment Factory, Kanpur :

(1) Tender No. PV/301 : Basyntan 'P' KGMS 2600. Specn. Standard Trade supply.

(2) Tender No. PV/37 : (*i*) Head Lining Rear Pad size 8-1/2—Nos. 10. Specification No. Drg. No. IND/GS/2394 Sheet 6 (Det. 4A) except that the tolerance on the lead required to compress the pads to 75% of their original thickness shall be ±50% instead of ±25% specified in specn. No. IND/
25%
GS/1428(a). (*ii*) Helmet Steel Lining MK. II Pad Crown—Nos. 38844. Specification No. as per Drg. No. IND/GS/2040(h) (Detail No. 7).

(3) Tender No. PV/382 · Wire Brass 12 SWG. Kgms. 1530. Specification No. BS : 2873-1969 (CZ-108) Condition hard.

(4) Tender No. EQ/451/2/18/Lab. Laboratory work benches as per drawing.

Closing date 16-9-76 for items 1 to 3 and 20-9-76 for item 4. Tender forms available @ Rs. 5/- each for item 1 to 3 and Rs. 10/- for item 4 by crossed postal order.

Ordnance Factory, Kanpur :

(1) Tender No. 592/Advt./PV 80,000 Nos. Polythene/Alkathene Bag 193 mm Flat width x 1000 gauge x 508 mm long as per following details ·

(*i*) Length—508 mm (+3 mm) (*ii*) Flat width—193 mm (±3 mm) (*iii*) Thickness—1000 gauge (0.010") (*iv*) Colour—White (Transparent). (*v*) Surface—Smooth and free from blister mark and pitted mark. (*vi*) Strength—Heat sealing of bottom side should be done in such a way so that each sleeve (Bag) can withstand a weight 10 Kgs. (Minimum).

(2) Tender No. 530/Advt./PV.

(*i*) Hemp Greased hydraulic packing to 1 ton P.S.I. size 12.7 mm Specn. IS · 5414-1969. —90 Kgs. (*ii*) Hemp Greased hydraulic graphited packing reinforced with lead wire to withstand W.P. 1 Ton P.S. I similar to Robert & Mcleans Magnitude packing size 12.7 mm. grade II specn. IS 5414-1969. 180 Kgs. (*iii*) Hemp Greased hydraulic graphited packing reinforced with lead wire to withstand W.P. 1 ton P.S.I. similar to Robert and Mcleans. Magnitude packing size 15.87 mm. grade II specn. 5415—1969. 330 Kgs. (*iv*) Hemp Greased hydraulic packing to 1 ton P.S I size 9.52 mm Specn. IS : 5414—1969. 150 Kgs.

Closing date 21-9-76 for item 1, 24-9-76 for item 2. Tender form available @ Rs. 10/- each by postal order upto 14-9-76 and 17-9-76 for item 1 & 2 respectively.

Ordnance Factory, Chanda :

(1) Tender No. 1518/Advt./12/PV · Canister mask with filter pad for protection against ACID Vapour and light Gas Qty. Nos. 411.

(2) Tender No. 1518/Advt./13/PV ·

(*i*) Gilding Metal Strip 129 mm ± 0.5 mm wide x 0.4 mm ± 0.026 mm thick. To Specn. BS 2870/CZ-102 OR CZ-101 Hardness 55 to 75 VPN in annealed condition. Qty. 1000 Kgs. (*ii*) Webbing Cotton Mould proofed dyed olive green near match to ISC No. 220 of IS · 5—1961 width 25.4 mm +1.3 mm. To specification J S.S. 1-69-07 Metrs. 8000. (*iii*) Felt Woollen proofed type medium hard variety to size · 1320 mm wide(52") x 3 mm thick (1/8") To Specn. IS-1719-69—Mts. 2000 (*iv*) Felt Woollen White Proofed medium hard 10 mm (3/8") Thick x 1320 mm (52") wide To Specn. IS-1719-69. Mtrs. 800.

Closing date 15-9-76 for item 1 and 20-9-76 for item 2. Tender form can be had @ Rs. 10/- each item by cross, postal orders upto 19-8-76.

Ordnance Factory, Katni :

Tender No. 1563/PV/IP/Advt./162 :

(*i*) Carbon & Alloy Tool Steel 2% C 12% Cr Specn ·—IS. 570/T-215 Cr. 12 size : +120 (+5) mm dia x 45 (+5) mm thick in Annealed condition. 90 Nos. (*ii*) Carbon Alloy Tool Steel Specn · IS. 1570/-T-103 size · 127(±5) mm dia x 38 (±5) mm thick Forged and Annealed condition. 60 Nos. (*iii*) Carbon Alloy Tool Steel Specn · IS. 1570/-T-103 size · —130 (+10) mm dia x 200 (—20) mm bore x 1.5 (+6) mm thick Forged and Annealed condition. 50 Nos.

(2) Tender No. 1563/PV/LP/ADVT/163. Annealing Grids as per Drg. No. KAT/CS/31 (for Bengal Linn Furnace) 24 Nos.

Closing date 7-9-76. Tender form available @ Rs. 5/- each item by cash or postal order upto 18-8-76.

Metal and Steel Factory, Ishapore : Flux Ferrux 104 Fosece or similar suitable material, packed in suitable non-returnable containers. Qty· Kgs. 10,000. Closing date 10-9-76. Tender forms available @ Rs. 5/- upto 9-9-76.

High Explosives Factory, Kirkee, Poona-3 :

Acid acetic Pure, Specn. I—695-67. First edition after IS 695—1967. 1940 Kgs. Closing date 17.9.76. Tender form available @ Rs. 2/- by M.O. upto 27-8-76. Postal orders will not be accepted.

Ammunition Factory, Kirkee, Poona-3 :

(*i*) Copper alloy strip. Kgs. 600 (*ii*) Supply of 10,000 Nos. of Carrier I A without side packing plate phosphated and painted with paint readymixed air drying brushing spraying/dipping matt finish olive green ISC 220 of IS-5-1961 to Specn IS 168--1973. (as applicable for defence) or JSS-I-63-02 for stoving paint. (*iii*) Supply of 167 Kgs. of High Speed steel 18-4-1 ±5% cobalt sqr. 19.05 mm. (*iv*) Supply of Flame Proof starters with Switch suitable for 2 HP motors/3HP motor/5 HP motor at working pressure 415 V 3 phase 50 c must be certified by CMRS Dhanbad. Nos. 6 each. (*v*) Supply of 1575 Kgs of Sodium Pentachlorophenate as per Technical particulars shown in tender forms. (*vi*) Switch starting automatic star delta with ON-OFF push button in shed steel enclosed in overload range 24 to 45 Amp type SK-987-4040 Siemen's make or similar (*b*) Limit switch in cast Aluminium housing with push Rod 500 v 10 Amps one normally open and one normally closed. Sienen's type 35E 10509 A Siemen's make or similar Nos. 96 (*c*) Limit switch in cast Aluminium housing with Angular Roller lever 10 Amps 500 Volts one normally open and one normally closed Siemen's type 35E-Le 500 A or similar. Nos. 96. (*d*) Switch Rotary type On-Off 3 phase 50 cycles 440 volts 10 Amps capacity Siemen make or similar Nos. 96. (*e*) Rotary switch siemen's in open Execution with protective cover and knob +15 volts 16 amps 3 phase 50 cycles Ref type K-138 x 2-21 or similar Nos. 96.

Closing date 3-9-76 for item (*i*), 7 9 76 for item (*ii*) and (*iii*), 14-9-76 for item (*iv*) and (*v*) and 17-9-76 for item (*vi*) Tender form can be had @ Rs. 2/- each for item (*i*) and (*iii*) to (*vi*) and Rs. 83/- for item (*ii*) by money order. Postal Orders will not be accepted. MO receipts should accompany the application for tender forms failing which forms will not be issued. Application should reach by 20-8-76 for item (*i*) and (*ii*) 21-8-76 for item (*iii*) and 27-8-76 for item (*iv*) to (*vi*).

Gun Carriage Factory, Jabalpur :

(1) Tender No. 76/189/56B. Felt woollen Grey proofed medium hard variety 13 mm thick x 132 cm to Specn. ISI · 1718-1969—1090 mtrs.

(2) Tender No. 76/54/56 B.

(*i*) Double Ended Screwed Length Bar Box (Complete set) 0.5" to 30" (in ten pieces) 0.5" (12.7), 1" (25.4), 2" (50.8), 3" (76.2). 4" (101.6), 5" (127.00), 6" (152.4), 12" (304.8), 18" (457.2) & 30" (762.00) mm—2 sets (*ii*) Taper parallels (Good Quality) made of gauge steel hardened and ground to extremely close limits to measure diameters in the range of 5 mm to 25 mm approximately with various combination. 3 sets. (*iii*) Set of Combination Length Bar (Metric sizes) Matrix 10, 20, 40, 60, 80, 100, set 200, 300, 400 and 600 mm in a Box with all accessories (Set No.M.B. 101)

(*iv*) Set of combination Length Bar (Metric sizes) 'Matrix' 25, 50, 75, 100, 125, 150, 175, 200, 375, 575 and 775 mm in a Box with all accessories (Set No. M.B. 11) 1 set. (*v*) Taper parallel (Matrix) set consists of 10 pieces size from 1/4" to 1" (6.4 mm to 25.4 mm). 10 sets.

Catalogue Reference ·— Matrix Coventry Gauge & Tools Co. Ltd. Coventry England.

Closing dates 23-9-76. Tender form available @ Rs. 5/- each item by postal order upto 22-9-76.

TE No. 76/252/56B (1) Steel tool box (Tool Cabinet) 1000 mm Height x 600 mm wide x 450 mm deep, fitted with 2 shelve making 3 compartments, fitted with single panel door with lock and handle.—100 Nos.

Ordnance Factory, Dhandara :

1. T. No. SP/3018/440. Inner Cooler made of Chemical Cast Iron to withstand sulphuric acid at 60°C for Secondary Coolers as per Drg. No. OFBs/AI/116.—6 Nos.
2. T.No. SP/3018/441. Roofing felt Fibre based finished with tale grade 3 ply size 22 Metre long x 90 cms width reinforced 156 Mtrs.
3. T.No. SP/3018/442. Dies for extrusion orifice dia 1.2 mm to dr. 41875/A.—9 Nos.
4. T. No. SP/3018/443. Door Closer hydraulic complete with fixing screws—150 Nos.
5. T. No. SP/3018/444. Thermocole slab 50 mm thick x 1 M x ½ M width. 1200 Sq. Mtrs.
6. T. No. SP/3018/445. Cable Electric PVC four core armoured aluminium conductor 650/1100 volts grade size 2.5 sq. mm.—1383 mtres.
7. T. No. SP/3018/Advt. Blanket Cotton Dosooti or any thick white-cloth stitched all around, washable free of fluff and loose fibre size 800 mm x 1500 mm. Qty. 1285 Nos.

Closing date 14-10-76 for items 1 to 6 and 28-9-76 for item 7. Tender forms available @ Rs. 2/- each item by cash or money order upto 11-9-76 for item 1 to 6 and 4-9-76 for item 7.

NOTE : Other details, specifications, drawings etc. etc. will be supplied along-with tender form. Tender fees are non-refundable. Further detalis can also be seen in Indian Trade Journal, Calcutta.

CORRIGENDUM

Ordnance Equipment Factory, Kanpur :

Ordnance Equipment Factory, Kanpur. Reference tender No. PV/208 regarding uses handbook for both assault universal type, specification No ITS Nos. 1370. The General Manager has extended the opening date for the above to 23-8-76 from 29-7-76. Other details remains same.

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rebate reserve, the net profit amounted to Rs 50.17 lakhs and it was less than the previous year's figure by as much as Rs 28.91 lakhs. The directors have, however, maintained the equity dividend at nine per cent. It will absorb Rs 14.38 lakhs.

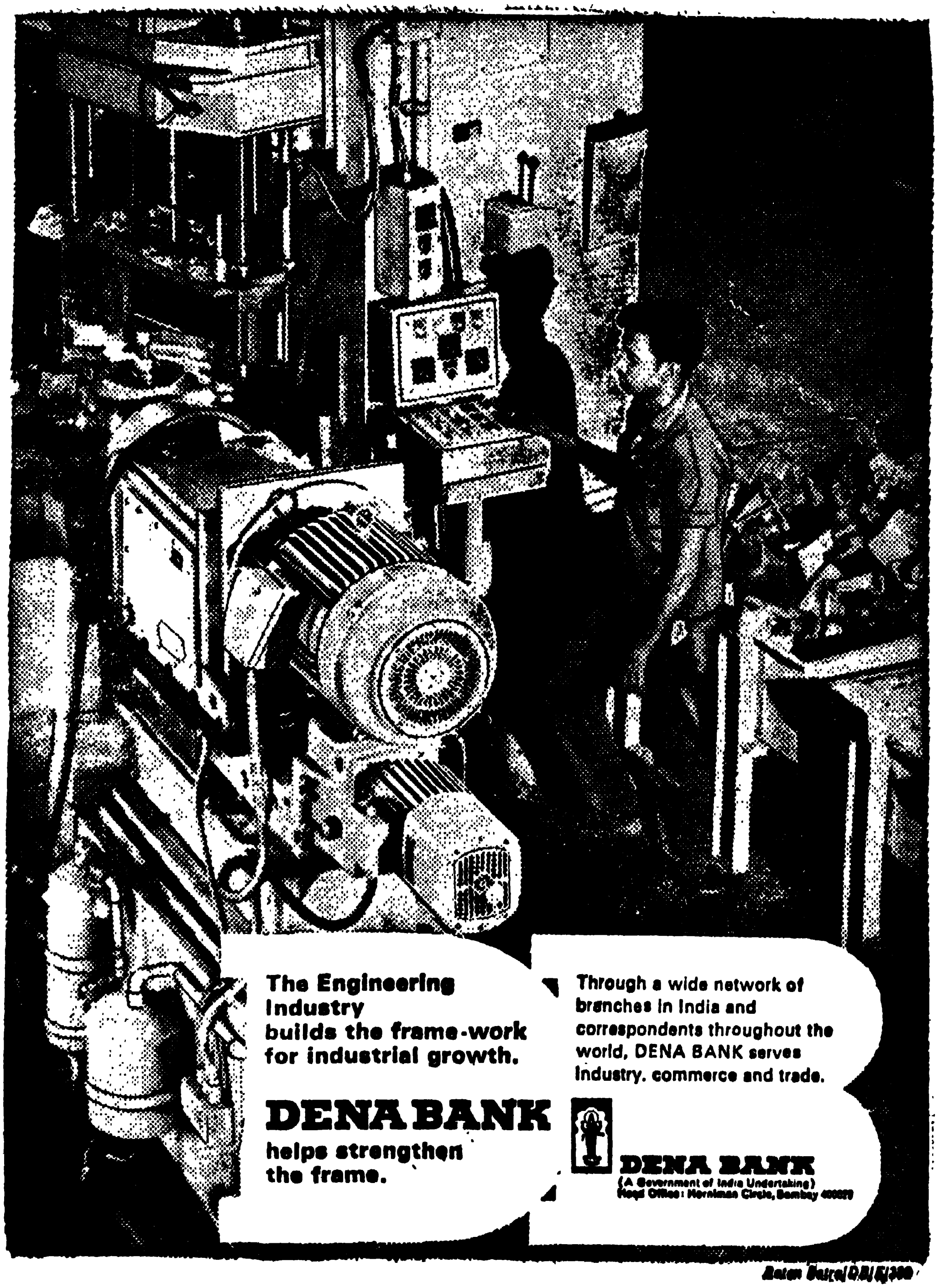
American Express

The net income of American Express Company during the second quarter of 1976 amounted to $ 48.3 million as compared with $ 41.3 million in 1975, a gain of 17.0 per cent. Larnings per share rose to $ 0.67, as against $ 0.57 a year ago. The company's net income for the first half of 1976 was higher at $ 80.6 million, or $ 1.12 a share, as compared with $ 76.7 million or $ 1.06 a share, for the first six months of 1975, an increase of 5.1 per cent. The highly satisfactory earnings for the second quarter resulted from improved earnings by the company's insurance subsidiaries, and from continued strong growth in earnings of travel and financial services.

Kunal Engineering

Kunal Engineering Company Ltd has reported satisfactory working results during the year ended March 31, 1976. The profit before depreciation, recorded a modest decline to Rs 23.85 lakhs from Rs 24.03 lakhs in 1974-75 while the profit after providing for depreciation was a shade lower at Rs 20.03 lakhs as against Rs 20.79 lakhs in the preceding year. Out of the gross profit, the directors have appropriated a sum of Rs 1.86 lakhs to general reserve, Rs 0.88 lakh to development rebate reserve and Rs 12.80 lakhs for meeting tax liabilities. The directors have stepped up the equity dividend from 11 per cent to 20 per cent. This dividend will absorb Rs 4.50 lakhs and will be paid on or after September 30, 1976 to those shareholders whose names appear on the register of members as on September 29, 1976. Besides the board of directors have decided to capitalise Rs 7.50 lakhs out of the reserves and issue bonus shares in the proportion of one bonus share for every three equity shares held by the shareholders. The proposal, however, is subject to the approval of the shareholders and consent of the Controller of Capital Issues.

The company has received an industrial licence for expanding its capacity from 216,000 spindles to 400,000 spindles. Besides another industrial licence has been obtained by


The Engineering Industry builds the frame-work for industrial growth.
Through a wide network of branches in India and correspondents throughout the world, DENA BANK serves industry, commerce and trade.
DENA BANK
helps strengthen the frame.
DENA BANK
(A Government of India Undertaking)
Head Office: Horniman Circle, Bombay

the company for the manufacture of high speed roller bearing inserts with a capacity of four lakh inserts per annum. The company thus could manufacture five lakhs spindles and an equal amount of inserts. The cost of the project is estimated at Rs 3.07 crores.

Rajasthan Financial Corporation

A committee formed by the state government in April this year under the chairmanship of Mr S. P. Vishnoi, Managing Director, Rajasthan Financial Corporation, has prepared a final scheme of the establishment of a specialised autonomous Technical Consultancy Organisation exclusively for Rajasthan to provide techno-economic and managerial consultancy to small and medium scale industries in the state. The committee has suggested that the proposed institution should have an authorised capital of Rs 20 lakhs and an initial paid up capital of Rs 5 lakhs. While the IFCI would be the major shareholder having 51 per cent shares, the other shareholders would include IDBI, ICICI, RFC, RIMDC, RSIC, SBBJ and other banks. It would be managed by a board of directors having representatives of all these institutions.

Consultancy Service

The Consultancy Organisation would primarily be engaged in undertaking project identification work on behalf of state level institutions, state government and on its own, preparation of project profiles, pre-feasibility and feasibility studies for new projects and would also provide technical, marketing and managerial guidance to existing units in the state. It would also assist the state level institutions and banks in rehabilitation of sick units and revival of closed units and would also promote rapid industrialisation in the state.

Instrumentation Limited

Instrumentation Ltd, a public sector enterprise at Kota, Rajasthan achieved a turnover of Rs 662 lakhs in 1974-75 which has further increased to over Rs 1010 lakhs (including about Rs 100 lakhs earning in foreign exchange) in the year 1975-76, *registering a record growth of 52 per cent* over the performance in 1974-75. The company has also developed total expertise in providing turnkey instrumentation starting from the design right up to the commissioning of the projects in such core sectors of economy as thermal power stations, steel plants, chemicals and fertilizer plants. The company has already executed turnkey instrumentation for 26 thermal power stations and has successfully completed the first stage of Bokaro steel plant (1.7 million tonnes) and is now presently working on expansion (2.5 million tonnes) and simultaneous expansion to 4 million tonnes of Bokaro steel, expansion of Bhilai steel plant from 2.5 to 4 million tonnes and several other projects. Presently work is in progress on planning and execution of 48 units of thermal power stations and other projects encompassing the core industries spread throughout the country.

News and Notes

The National Alliance of Young Entrepreneurs is organising for the first time in the country a national seminar on self-employment amongst students at Vigyan Bhawan, New Delhi on August 28 and 29, 1976. The seminar will be inaugurated by Mr T.A. Pai, union minister of Industry and Civil Supplies and the valedictory address will be given by Mr Shankar Ghosh, union minister of Planning.

Mr T.A. Pai, the union minister for Industry and Civil Supplies, laid the foundation stone on August 6, 1976 for the first cement plant in Andhra Pradesh of **Cement Corporation of India (CCI)**. The plant, at Yerraguntala in Cuddapah district has a capacity of 1,200 tonnes per day dry process. The equipment for the factory is under various stages of manufacture and the cement plant is expected to go on stream in 18 months.

Another First

Larsen & Toubro Limited (L & T) has engineered and fabricated the vital equipment for the Yerraguntala cement plant including the raw mill, coal mill, kiln with four-stage preheater and Folax grate cooler. All the equipment has been engineered to suit a variety of raw materials and give a minimum output of 1,200 tonnes per day. L & T is the first in the country to manufacture cement plants of this capacity. L & T's subsidiary, Utkal Machinery Limited (UTMAL) is supplying the crushing plant.

Recently, **Industrial Development Bank of India** enhanced the maximum amount for rediscounting of bills/promissory notes under the scheme pertaining to a single purchaser from Rs 50 lakhs over a limit year to Rs 75 lakhs and also changed the limit year from October-September to July-June. It has now been decided to raise this limit from Rs 75 lakhs to Rs 100 lakhs (face value of bills) over a year, with effect from July 1, 1976. There is no change in the other provisions of the scheme.

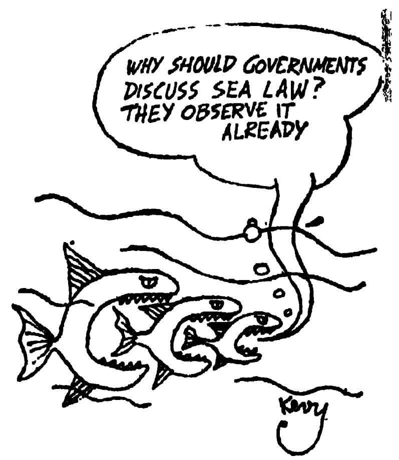
New Issues

Shimoga Steels Ltd is offering to the public for subscription 220,000 equity shares of Rs 10 each and 5,000 (11 per cent) redeemable cumulative preference shares of Rs 100 each for cash at par. The subscription list for this fully underwritten issue opened on August 9 and will close on August 18 or earlier but not before August 11, 1976. The company is setting up a steel plant at Mysore-Belagola industrial area, for the manufacture of various types of mild steel ingots, electrode quality carbon steels, forging quality carbon steels, and a host of other products. The licensed capacity is 18,000 tonnes per annum. Construction work is in full swing. Trial production is expected to commence by the end of August 1976 and commercial production soon thereafter.

Capital and Bonus Issues

Consent has been granted to 14 companies to raise capital of over Rs 115 million. The details are as under:

Omega Metallizing Engineering Private Limited, have been


WHY SHOULD GOVERNMENTS DISCUSS SEA LAW? THEY OBSERVE IT ALREADY

accorded consent, valid for six months, to capitalise Rs 51,300 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every one equity share held.

Punjab Scooters Limited, have communicated to government of its proposals to issue capital for Rs 12 million (inclusive of the capital already raised) divided into 1.2 million equity shares of Rs 10 each for cash at par.

Ennore Foundries Limited, Madras, have been accorded consent, valid for six months to capitalise Rs 44,566,190 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for every four equity shares held.

Ansal Properties and Industries Limited, New Delhi, have been accorded consent, valid for six months to capitalise Rs 850,000 out of its general reserve and issue fully paid equity shares of Rs 1,000 each as bonus shares in the ratio of 17 bonus shares for every 20 equity shares held.

Sahney Steel and Press Works Limited, have been accorded consent, valid for six months, to capitalise Rs 930,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every one equity share held.

Brakes India Limited, Madras have been accorded consent, valid for six months, to capitalise Rs 6.9 million out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of three bonus shares for every ten equity shares held.

Mc-Nally Bharat Engineering Company Limited, Calcutta, have been accorded consent, valid for six months to capitalise Rs 3,494,250 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of three bonus shares for every ten equity shares held.

Tractor India Limited, has been accorded consent for issue of equity capital of Rs 1,792,950 in equity shares of Rs 10 each to be issued credited as fully paid-up to the shareholders of India Crane Company Ltd, in terms of the scheme of amalgamation of the latter with the former company. The consent order is valid for 12 months only.

The Pradeshiya Industrial and Investment Corporation of Uttar Pradesh Limited, have been accorded consent for the issue of 10,000 bonds of Rs 1,000 each totalling Rs 10 million (with a right to retain upto 10 per cent of the notified amount in the event of over-subscription) carrying interest at the rate of 6-1/4 per cent per annum and redeemable at par after 10 years, for cash at an issue price of Rs 98.85 per cent by private placements.

Straw Products Limited, has been accorded consent for issue of Rs 33.75 million in equity/preference shares/bonds/debentures to be issued credited as fully paid-up to the shareholders of Dena Bank Limited in terms of the scheme of amalgamation with Straw Products approved by the High Courts of Bombay and Orissa on April 6, 1976 and April 26, 1976 respectively. The consent order is valid for 12 months only.

The Uttar Pradesh Small Industries Corporation Limited, has been accorded consent for issue of unsecured nonconvertible debentures of the nominal value of Rs 10 million (with a right to retain up to 10 per cent of the notified amount, in the event of over-subscription), for cash at par to the public by a prospectus. The debentures shall be redeemable at par after a period of 10 years from the date of issue and should be payable to registered holders only.

Excel Industries Limited, Bombay, have been accorded consent, valid for six months, to capitalise Rs 7.6 million out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of four bonus shares for every five equity shares held.

The Ahmedabad Manufacturing and Calico Printing Co Ltd, Ahmedabad, have been accorded consent, valid for six months to capitalise Rs 17,53,197.50 out of its general reserve, and issue fully paid equity shares of Rs 125 each as bonus shares in the ratio of one bonus share for every four equity shares held.

Magnetise and Minerals Limited, Chandag (Dist Pithorgadh), has communicated to government of its proposal to issue capital for Rs 6 million in equity shares of Rs 10 each and Rs 500,000 in preference shares of Rs 100 each, to meet a part of finance for setting up a factory to manufacture dead burnt magnesite at Chandag.

Dividend

(Per cent)

Name of the company	Year ended	Equity dividend declared for Current year	Equity dividend declared for Previous Year
Higher Dividend			
Bombay Cycle & Motor Agency	March 31, 76	20.0	Nil
Ahmedabad Electricity	March 31, 76	12.5	10.0
Remington Rand	March 31, 76	15.0	10.0
Same Dividend			
New Standard Engineering	March 31, 76	14.0*	14.0
Vijay Spinning Mills	March 31, 76	12.0	12.0
Amalgamated Electricity	March 31, 76	16.0	16.0
Gujarat Steel Tubes	March 31, 76	12.0	12.0
Lower Dividend			
Firth (India) Steel	March 31, 76	Nil	10.0
Metal Box	March 31, 76	Nil	14.0

*Proposes to issue bonus shares in the proportion of 1:3.

Licences and Letters of Intent

THE FOLLOWING licences and letters of intent were issued under the Industrial (Development and Regulation) Act 1951 during the month of April 1976. The list contains the names and addresses of the licensees, articles of manufacture, types of licences—New Undertakings (NU), New Articles (NA), Substantial Expansion (SE), Carry on Business (COB), Shifting—and annual installed capacity. Details regarding licences and letters of intent revoked, cancelled or surrendered are also given.

Licences Issued

Metallurgical Industries (Ferrous)

M/s Daggar Forst Tools Ltd; First Pokhran Rd, Thana, Maharashtra, (Thana—Maharashtra) Rolls for Rolling Mills—12 tonnes—(COB).

M/s Kerala Steel Ltd; Kalayil Building, Alleppey. (Alleppey—Kerala)—Mild & Alloy Steel Ingots/Billets—18,000 tonnes—(NU).

M/s Indian Tool Manufacturers Ltd; 101, Sion Road, Sion, Bombay (Nasik—Maharashtra)—Tungsten Carbide Powder—50 tonnes—(NA).

Shri Withaldas H. Shah, C/o M/s Lallubhai Amichand Ltd; 225/27, J. Dadajee Road, P.O Box No. 407, Bombay (Ahmedabad—Gujarat)—Copper & Copper Alloy Pipes & Tubes required for condensors of power plants, sugar mills, etc.—1,200 tonnes—(NU).

M/s Rashtriya Metal Industries Ltd; Sir Mathuradas Vasanji Road, J. B. Nagar, Bombay. (Bombay—Maharashtra)—Metallic Extruded Containers, Tubes (Lead, Tin/Zinc/Aluminium)—20 tonnes—(NA).

Electrical Equipment

M/s. India Capacitors Ltd; 99-Motilal Gupta Road, Calcutta. (Calcutta—West Bengal)—LT & HT Power Factor Correction Capacitors.—1,00,000 (One lakh) KVAR—(SE).

M/s Nippon Electronics (India) Ltd; Bull Temple Road, Post Bag No 1905, Bangalore. (Bangalore -Karnataka)—*New Articles :* Electrolytic Capacitors—5 mill. nos. *Sub : Expansion.* Plastic Film Capacitors—20 mill. nos.—(NA/SE).

M/s Kerala State Electronics Development Corpn. Ltd; Keltron House, Vallayambalam, Trivandrum. (Trivandrum—Kerala)—Electronic Printers—5,000 nos.—(NU).

M/s Easun Rayrall Relays Devices Pvt Ltd; 5, Second Line Beach, Madras. (Chingleput—Tamil Nadu)—Current, Voltage, Power & Frequency Measuring Relays for the protection of Generators, Transformers, Feeders, Motor Rectifiers and other Electrical Plant—8,800 nos. D & DC Current & Voltage operated Control & Auxiliary Relays including time lag Auto-reclose, Voltage Regulating, out of step blocking use failure, Shock Synchronising semaphore indicator relays—9,750 nos. Distance relays for the protection HV & EHV Feeders—100 nos. Relays Test Sets, Relays Tool Kits, Test Blocks and Plugs, Spring Return and discrepancy control switches, Alarm Schemes and accessories—3,750 nos.—(NU).

Transportation

M/s Payen Talbros Ltd; 14/1, Delhi-Mathura Road, P.O. Amar Nagar, Faridabad. (Chingleput—Tamilnadu)—Gaskets—30 mill. nos. (The overall capacity of the two units, viz. at Faridabad & Tamilnadu after expansion will be 80 mill. nos.)—(NU).

Industrial Machinery

M/s Bharat Heavy Plate & Vessels Ltd, Visakhapatnam (Visakhapatnam—Andhra Pradesh)— Air Separation Plants of different sizes with capacities of air, handled upto 1,70,000 N, 3/hr. per unit (in terms of total air handled 3,40,000 N, 3/hr. including Nitrogen Wash Plants for separation of coke oven gas, converted gas & generally speaking for the separation & purification at low temperatures of gases in order to produce ammonia synthesis mixture of any size corresponding to match with plants of 1,500 tonnes of ammonia production per day—4 nos. etc.—(SE).

M/s Otis Elevator Co. (India) Ltd; 'Otis House' 7/48, Malcha Market, New Delhi. (Bombay—Maharashtra)—Escalators & Travciators—2 nos.—(NA).

M/s Foodimp Agencies Pvt. Ltd; G-526, Defence Colony, New Delhi. (Faridabad—Haryana)—Flour Milling Machinery & Equipment—2,000 M.T.—(NU).

M/s Titanium Equipment & Anode Manufacturing Co. Ltd; 55-Edward Elliots Road, Madras—(Vandalur—Tamil Nadu)—Chemical Machinery (Made out of Titanium & Titanium Alloys, etc.)—30 tonnes—(NU).

M/s National Machinery Manufacturers Limited, Mafatlal Centre, Nariman Point, Bombay (Baroda—Gujarat) — Draw Frames—180 nos.—(SE).

M/s National Machinery Manufacturers Ltd; Mafatlal Centre, Nariman Point, Bombay. (Baroda—Gujarat)—Fly Frames—240 nos.—(SE).

M/s Deepak Industries Ltd; 62 Hazra Road, Calcutta. (Calcutta—West Bengal)—Torsion Shaft & Diaphragm Couplings—Rs 10 lakhs—(NA).

M/s Krebs & Die (India) Pvt. Ltd; 3-A, Auckland Place, Calcutta. (Calcutta—West Bengal) -Mercury Cells—30 Cells of 100 KVA rating—(NU)

Machine Tools

M/s Addison & Company Ltd; 158, Mount Road, Madras-2 (Madras—Tamil Nadu)—Tool & Cutter Grinders—600 nos.—(SE)

Miscellaneous Industries

M/s Herstmann India Pvt. Ltd; 401, Jolly Bhavan, No. 7, 7-New Marine Lines, Bombay. (Poona—Maharashtra)—Plain & Screw Plug Gauges—1,00,400 nos. Plain & Screw Ring Gauges including Setting Masters—25,000 nos.—(SE)

Ms/ Chowgule Matrix Hobs Ltd; India House, Walchand Hirachand Marg, Bombay. (Medak—Andhra Pradesh)—Gear Hobs—12,000 nos. Gear Shaper Cutters—12,000 nos.—(NU)

Industrial Instruments

M/s The Associated Cement Companies Ltd; Cement House, 121, Maharshi Karve Road, Bombay. (Coimbatore—Tamil Nadu)—Nuclear Weigh Feeder Control System—30 nos.—(NA)

Chemicals (Other than Fertilizers)

M/s Shriram Fibres Ltd; 'Akash Deep', 26-A, Barakhamba Road, New Delhi. (Chingleput—Tamil Nadu)—Nylon Tyre Yarn—3,000 tonnes—(SE)

M/s Nirmal Chemicals, 9/1653, Balaji Road, Surat. (Broach—Gujarat)—Sodium Potassium Phosphate—100 tonnes; Cinnamic Aldehyde—5 tonnes; Sodium/Calcium Propionate—50 tonnes. Anisic Aldehyde—5 tonnes; Acetyl Acetone—100 tonnes; Glycerine B. P.—25 tonnes; Carbolic Acid (Chemically pure G. P. Grade)—10 tonnes; Resublimed Iodine—0.5 tonnes; Butyl Oxide—5 tonnes; Isopropyl Oxide—15 tonnes; Ethyl Palmitate—5 tonnes; Laboratory Chemicals—100 tonnes; Acids of spectroscopic Grade (99.9% purity): (a) Nitric Acid—20 tonnes. (b) Sulphuric Acid—20 tonnes. (c) Hydroflouric Acid—20 tonnes. (d) Hydro Chloric Acid—20 tonnes. (e) Acetic Acid—15 tonnes. (f) Phosphoric Acid—15 tonnes.—(NU)

M/s Saurashtra Chemicals (Prop. Jiyajeerao Cotton Mills Ltd.) Birlanagar. Gwalior (Porbandar—Gujarat)—Soda Ash—2,68,000 tonnes—(SE)

M/s Cynamid India Ltd; Nyloc House, 254-D2, Dr. Annie Besant Road, Bombay (Bulsar—Gujarat)—Malathion Technical—500 tonnes (SE)

M/s Standard Mills Co. Ltd; Chemicals Division, Mafatlal Centre, Nariman Point, Bombay. (Thana—Maharashtra)—Ethylene Chlorohydrin—500 tonnes—(SE)

M/s Punjab Sulphur Products Ltd; E-3/13, Jhandewalan Extn., Link Road, New Delhi. (Hoshiarpur—Punjab)—Sulphuric Acid—16,500 tonnes—(NU)

M/s Indian Explosives Ltd; 34, Chowringhee, Calcutta. (Gomia—Bihar)—Nitrocellulose (both blasting soluble & industrial grade)—1,000 tonnes.—(NA)

M/s Cynamid India Ltd; Nyloc House, 254-D2, Dr Annie Besant Road, Bombay. (Bulsar—Gujarat)—Cycocel Technical—100 tonnes—(NA)

Dyestuffs

M/s Hickson & Dadajee Ltd; Shree Pant Bhuwan, Sandhurst Bridge, Bombay-2. (Bombay—Maharashtra)—Optical Whitening Agent.—(SE)—250 tonnes. Meta Nitro Para Toluidine. (SE)—150 tonnes. Para Toluidine—300 tonnes.—(NA)

Drugs & Pharmaceuticals

M/s Tamil Nadu Dadha Pharmaceuticals Ltd; 10, Jeypore Nagar, Madras. (Madras—Tamil Nadu)—Tablets—89 mill. nos. 2. *Injectables :* (a) Ampoules—18,355 litres. (b) Vials—692 litres. 3. Capsules—77 mill. nos. 4. Ointment—7,000 kgs. 5. Liquid—4,500 litres—(COB).

M/s The Chemical, Industrial & Pharmaceutical Laboratories Ltd; 289, Bellasis Road, Bombay Central, Bombay. (Bombay—Maharashtra)—1. Hydrochlorothiozide—200 Kgs. 2. Direma Tablets (based on Hydrochlorothiozide)—5 mil. nos.—(NA)

M/s Fairdeal Corporation (P) Ltd; Lakshmi Building, Sir P.M. Road, Fort, Bombay. (Bombay—Maharashtra)—Sulbutamol—60 kgs.—(NA)

M/s Pfizer Ltd; Express Towers, Nariman Point, Bombay. (Chandigarh)—Foot and Mouth Disease Vaccines—4 mill. Doses—(NA)

M/s Sarabhai M. Chemicals (P) Ltd; Gorwa Road, Baroda. (Baroda—Gujarat)—Fungal Amylase, Fungal Protease, Fungal Lipose and Fungal Cellulose—5 tonnes—(NA)

Paper & Pulp

M/s North Bihar Sugar Mills Ltd; 4-India Exchange Place, Calcutta. (Champaran—Bihar)—Writing & Printing Papers speciality Paper and un-bleached variety paper—7,500 tonnes—(NU)

M/s Delta Paper Mills Ltd; Vendra-584230, Bhimavaram Taluk, West Godavari Distt : (W-Godavari, Andhra Pradesh—White Writing & Printing Paper, Manifold, Kraft & Bond based—9,000 tonnes—(NU)

Fermentation Industries

M/s Rahuri Sahakari Sakhar Karkhana Ltd; Shrishivaji—nagar; P.O. Rahur Factory, Taluka : Rahuri, Ahmednagar. (Ahmednagar—Maharashtra)—Rectified Spirit—4.3 mill. litres (43 lakh litres)—(COB)

Vegetable Oils & Vanaspati

M/s Andhra Pradesh State Coop. Marketing Federation Ltd; 5-2-68, Jambagh, Hyderabad. (Karim Nagar—Andhra Pradesh)—Groundnut Oil & Oilcake.—22,500 tonnes in terms of Groundnut Seed—(NU)

M/s Balaji Enterprises, 15-2-323/3, Kishanganj, Hyderabad.

(Adilabad—Andhra Pradesh)—Cottonseed Oil—15,000 tonnes in terms of Seed.—(NU)

Rubber Goods

M/s Swastik Rubber Products Ltd; Swastik House, Khadki, Pune. (Pune—Maharashtra)—Fan & V-Belts—10 lakh nos.—(NA)

Leather, Leather Goods & Pickers

M/s Vanjinad Leathers Ltd; Mani Bhavan, No. 2, Keston Road, Kawdiar, Trivandrum. (Malapuram—Kerala)—1. Finished Leather from Cow Hides—1,50,000 Pcs. 2. Finished Leather from Goat/Sheep Skins—3,00,000 Pcs.—(NU)

Glue and Gelatin

M/s Ganga Asbestos Cement Ltd, 107. Prakash Industrial Estate, P.O. Chikamberpur, Ghaziabad (Raibareili—Uttar Pradesh)—Asbestos Cement Pressure Pipe of 6" dia. &above. 30,000 tonnes (NU)

Letters of Intent

Metallurgical Industries (Ferrous)

M/s General Foundries, White Field Road, Bangalore 48. (Bangalore—Karnataka)—Investment Castings—100 tonnes (NA)

M/s U. P. State Brassware Corpn. Ltd: Post Box No. 16, Moradabad. (Moradabad—Uttar Pradesh)—Nickel Silver Strips—200 tonnes. Brass Strips 100 tonnes (NU).

Electrical Equipments

M/s Hindustan Brown Boveri Ltd; Brown Boveri House, 264-265, Dr. Annie Besant Road, Bombay. (Bombay—Maharashtra)—Measur and Convectors of various types—2,600 tonnes—(NA)

The Executive Director : Andhra Mechanical & Electrical Industries Ltd; 173, 2nd Floor, Fateh Maidan North Road, Hyderabad. (Hyderabad—Andhra Pradesh)—Remote Control Motor Operated/Pneumatically operated Isolators 200–1200 AMPS 66 KV rating—250 nos. Remote Control Motor Operated Pneumatically Operated Isolators MO/132 KV.—380 nos. Remote Control Motor Operated Pneumatically Operated Isolators 220 KV—20 nos—(SE)

M/s Phillips India Ltd; Shivsagar Estate, Block 'A', Dr Annie Besant Road, Worli, Bombay. (Pimpri—Poona, Maharashtra)—1. Frequency Counters above 200 MHZ; 2. Pulse Generators of 50 MHZ and above—200 nos.—(SE)

M/s Murarka Cables & Conductors Ltd; 39/472-A, Little Flour Road, Cochin-17. (Kandla FTZ—Gujarat)—A.A.C. & G.C.S.R. overhead Conductors—1,400 tonnes—(NU)

Transportation

M/s Gabriel India Ltd; Agra Road, Mulund, Bombay.—(Parwanao—H.P.)—Bimetal Strips—800 tonnes. Bimetal Bearings—6 Mill. nos.—(NU)

M/s Kirloskar Oil Engines Ltd; 13-Laxman Rao, Kirloskar Road, Kirkee, Poona—(Poona—Maharashtra)—Bimetal Strips—800 tonnes. Bimetal Bearings—12 mill. nos.—(SE)

Industrial Machinery

Shri Harbanslal B. Gupta, C/o M/s India Steel Industries, 134, Narayan Dhuru Street, Bombay—(Medak—Andhra Pradesh)—Ball Bearings—4 lakh nos. Roller & Taper Bearings—2 lakh nos.—(NU)

M/s Precision Bearings (I) Ltd; P.O. Maneja, Baroda.—(Baroda—Gujarat)—1. Ball Cylindrical including multirow ball bearings angular contact ball bearings & other special types—39,83,000 lakhs. 2. Spherical Roller Bearings including Barrel type—1,17,000 lakhs. 3. Needle Roller Bearings, Cages & Assemblies—10,00,000 lakhs. Total: 80,00,000 lakhs—(SE)

Shri Lok Nath Chaudhary, 4-A, New Road, Calcutta—(Mayurbhanj, Orissa)—(M/s Himalaya Bearings Ltd)—1. Single Row Deep Cove Ball Bearing (10 to 120 mm bore); 2. Double Row self-aligning Ball Bearing (10 to 120 mm bore); 3. Single Row Angular ball bearing (10 to 120 mm bore); 4. Ball Thrust Bearing (10 mm to 200 mm bore). Total: 12 lakh nos. p.a.—(NU)

Miscellaneous Industries

M/s Diamond Dies Mfg. Corporation, 228, First Floor, Chickpet, Bangalore (Mysore—Karnataka)—Wire Drawing Diamond Dies 20,000 nos.—(SE)

Chemicals (Other than Fertilizers)

M/s Sidharath Gas Company, C/o Padma Bhushan N.A. Kajrolkar, 27-a, Anand Vihar, Cooperative Housing Society, Bombay—(Maharashtra)—Oxygen Gas—6 lakh Cubic Metres—(NU)

M/s E.I.D. Parry Ltd; "Jeewan Deep" Building, 10, Parliament Street, New Delhi—(Chingleput—Tamilnadu)—1. Methanol 20,000 tonnes. 2. Sodium Tripolyphosphate 25,000 tonnes. 3. Argon Gas—3,00,000 Cubic Metres—(NA).

M/s K.T.M. Abdul Khader, 12-State Bank Street, Mount Road, Madras. (Maddur, Mandya, Karnataka)—Potassium Chlorate 600 tonnes—(NU).

Shri S. N. Govinda Prabhu, Swargath Madhom, Sringapuram, Granganore, Trichur, (Cannanore—Kerala)—Potassium Chlorate—900 tonnes—(NU)

Shri A.M. Arjuna Raja, Raja Nagar, Sivakasi West, Ramnad, Tamil Nadu (Chittoor—Andhra Pradesh)—Potassium Chlorate—600 tonnes—(NU)

M/s Aggomore Limited, Mysore Road, Bangalore. (Bangalore—Karnataka)—Diuron Technical—200 tonnes—(NA)

Shri R. Gopalkrishnan, Advocate, 9-Pallayar Kovil Street, Sattur. (Ramanathapuram—Tamil Nadu)—Potassium Chlorate—300 tonnes—(NU)

Drugs & Pharmaceuticals

M/s Standard Pharmaceuticals Ltd; 24-Park Street, Calcutta. (Hooghly—West Bengal)—Apmicillin & its Salts—5 tonnes—(NA)

Textiles

M/s Modella Textile Industries Pvt. Ltd; 4-C, Vulcan Insurance Building, Veer Nariman Road, Bombay. (Maharashtra)—Woollen Yarn (from indigenous wool)—600 woollen spindles—(SE)

M/s I. C. Gandhi Silk Mills Pvt. Ltd; 486, Kalbadevi Road, Post Box No. 2254, Bombay—(Surat—Gujarat)—Art Silk Fabrics—48 Power Looms—(SE)

M/s Orient Textiles, 14-Nazir Building, Calicut Street, Ballard Estate, Bombay—(Maharashtra)—Man-made Fabrics—4 circular Knitting Machines for man-made fabrics corresponding to a total consumption of 4 × 20 tonnes of caprolactum DMT p.a.—(NU)

Paper & Pulp (including Paper Products)

M/s Reliance International Corpn. Pvt. Ltd; 4/2-D, Asaf Ali Road, New Delhi. (Rewari, Mohindergarh, Haryana)—Paper and Paper Boards, 10,000 tonnes—(NU)

Vegetable Oils & Vanaspati

M/s Bharat General & Textile Industries Ltd; 9/1, R.N. Mukherjee Rd; 7th Floor, (West Block) Calcutta.. (Buldhana—Maharashtra)—Vegetable Oils by Solvent Extraction Process—50,000 tonnes in terms of Oilcakes (SE)

Leather & Leather Goods

M/s Leather Industries Development Corpn. of Andhra Pradesh Limited, 3-6-150, Himayat Nagar, Hyderabad (Andhra Pradesh)—Finished Leather from Buffalo Calf—1.8 lakh numbers—(NU)

M/s Leather Industries Corporation of Marathwada Pvt. Ltd; Anvikar Bldg., Dr. Rajendra Prasad Road, Aurangabad—(Bhir—Maharashtra)—Finished Leather from Hides—75,000 nos—(NU)

M/s Gujarat Agro-Industries Corpn. Ltd; Khet Udyog Bhavan, Opp High Court, Navrangpura, Ahmedabad—(Gujarat)—1. Finished Leather from Hides—1.8 lakh nos. 2. Finished Leather from Skins—3 lakh nos.—(NU)

M/s Wasan & Company, P.O. Box 42, Bodla, Agra. (Agra—Uttar Pradesh.—1. *Substantial Expansion* : Leather Footwear Uppers)—5 lakh pairs. 2. *New Article* : Upper Leather—26.25 lakh square feet.—(NA)

Cement & Gypsum Products

Shri Mrigendra Singh, M/s Rewa Asbestos, Cement Products, Rajabagh, Shahdol.—(Rewa—Madhya Pradesh)—Asbestos cement Pressure Pipes—30,000 tonnes—(NU)

M/s Ceramin India, Mani Bhuwan, Panchnath Road, Rajkot. (Kandla FTZ—Gujarat)—Calcined Bauxite—10,000 M.T.—(NU)

Change in Names (Owners or Undertakings)

(Information pertains to particular licences only)

From M/s Murarka Paint & Varnish Works (P) Ltd; Calcutta to M/s The Murarka Paint & Varnish Works Ltd; Calcutta.

M/s Hindustan Dowidat Tools Ltd; New Delhi to M/s Hindustan Everest Tools Limited, New Delhi.

From Shri M. M. Sehgal, New Delhi to M/s Sehgal Paper Ltd.

From Shri Ajay Kumar Rungta, Calcutta to M/s Pearl Paper Mills Ltd, Calcutta.

From M/s Greaves Diesels Ltd, Poona, to M/s Greaves Lombardini Limited, Poona.

From M/s The Vijaya Durga Cotton Trading (P) Ltd. to M/s The Vijaya Durga Cotton Trading Ltd.

From M/s Nandlal Bhandari Mills Ltd; Snehalatagan, Main Road, Indore to M/s Hope Textile Limited.

Licences Revoked. Cancelled or Lapsed

(Information pertains to particular licences only)

M/s Eswaran & Sons Engineers Pvt. Ltd; Madras—Pressure Vessels, Heat Exchangers, etc., (Cancelled).

M/s Wheel & Rim Company of India Limited, "Huzur Gardens", Sembiam, Madras—Bicycle Rims—(Cancelled)

M/s Ravi Industries Pvt Ltd; 272, Narsi Natha Street, Bhat Bazar, Bombay—Bench Lathes & Cast Iron Enamelled Commodes Latrine Pans—(Cancelled)

Letters of Intent Rejected, Cancelled or Lapsed

(Information pertains to particular letters of intent only)

M/s Ralliwolf Ltd, Bombay—Universal Motors (AD/DC), Permanent Magnet DC Motors, etc.—(Lapsed)

M/s Hindustan Paper Corpn. Ltd, New Delhi—Caustic Soda—(Lapsed)

M/s IDL Agro Chemicals Limited, New Delhi—Dalapon, Dowpon & Dowpon S.—(Lapsed)

M/s The Indian Rayon Corporation Limited, Bombay—Caustic Soda—(Cancelled)

M/s Manphool Chopra, 4-Jor Bagh, New Delhi—Empty Hard Gelatine Capsules—(Lapsed)

Shri Subodh Kumar Saighal, Aligarh—Micro Motors—(Cancelled)

M/s Polson Limited, Post Box No. 367, Bombay—High Protein Beverage—(Lapsed)

M/s National Tobacco Company of India Ltd, Calcutta—Cigarettes—(Lapsed)

Shri Davinder Singh, New Delhi—Needle Roller Bushes, Loose Rollers & Needle Roller Bearings—(Cancelled)

Shri G. S. Agarwal, Bombay—Writing, Printing Paper, etc.—(Cancelled)

M/s Bharat Commerce & Industries Ltd, New Delhi—Polynosic Fibre—(Cancelled)

M/s Vimla Food Enterprises Pvt Ltd., Moradabad—Biscuits—(Lapsed)

M/s Types Company India, 80-Harris Road, Madras—Steel Types (Cancelled)

M/s Larsen & Toubro Ltd; Gulab Bhawan, 2nd Floor, New Delhi Relays—(Lapsed)

M/s Nasik Oxygen Company Pvt. Ltd., Bombay—Nitrogen Gas—(Lapsed)

Shri Subash Chander Agarwal, New Delhi—Hand Tools—(Cancelled)

Shri Charanjit Singh Singhat, New Delhi—Carbon Dioxide (Lapsed)

Shri Surajratan R. Mohatta, Connaught Circus, New Delhi-Forged Hand Tools—(Cancelled)

M/s Lockman Company, 13-A, Palit Street, Calcutta—Industrial Gases—(Lapsed)

M/s Nasik Oxygen Company Pvt. Ltd., Bombay—Oxygen Gas & D.A. Gas—(Lapsed)

Shri Harnam Singh Vijan, Sindhi Society, Chemboor, Bombay—Portland Cement—(Cancelled)

M/s Commonwealth Mixed—Waste Spg. Mills Pvt. Ltd., New Delhi—Mica Papers—(Lapsed)

Shri V. L. Dutt, Madras—Oxygen Gas—(Lapsed)

Dr Virbhadra Singh, c/o Mr. Amt I. Nanavati, Ahmedabad—Oxygen Gas/D.A. Gas—(Lapsed)

Shri Jayant P. Amin Baroda—Industrial Gases—(Lapsed)

M/s Hindustan Lever Ltd., Hindustan Lever House, Bombay-1. BR.—Caustic Soda—(Surrendered)

M/s African Refrigeration Co. Ltd., 20-A, Najafgarh Rd., New Delhi—Domestic Refrigerators—(Lapsed)

Shri D. R Gandhi, Noormahal Road, Bhopal-1—Vitamin—'C'—(Lapsed)

M/s Bharat Forgings Pvt. Ltd., G. T. Road, Mandi Gobindgarh—Hand & Small Tools—(Cancelled)

Major General N. G. Latey (Rtd.), M/s. La Precision Springs & Engineering Co. Pvt. Ltd., Model Colony, Poona—Spring Balances, Weighing Scales & Weighing Machines—(Lapsed)

M/s. Chowgule & Co. (Hind) Pvt. Ltd.; India House, Bombay—Synthetic Resins (Lapsed)

M/s The Miniature Bulb Industries India Pvt. Limited, Dehra-Dun—Krypton Gas Filled Bulbs for Miner's Cap Lamps—(Lapsed)

M/s The Miniature Bulb Industries (India) Ltd., Dehra Dun—Hologen Lamps for Automobiles, etc. (Lapsed)

M/s Nitco Consultants Pvt. Ltd., C/o Andhra Steel Corpn. Ltd., Calcutta-1—Nickel Silver Strips—(Lapsed)

M/s Export India, 185, Park Street, Calcutta-17—Nickel Cadmium Batteries—(Closed)

M/s Dhanani Engineering Works, Saru Section, Road, Jamnagar—Automobile Tyre Tube Valves & Cores—(closed)

Shri K. L. Narayanasa, No. 10, 1st Main Road, Gandhi Nagar, Bangalore—Cigarettes (Lapsed)

Shri B. M. Ramesh Kumar, Secunderabad—Cigarettes—(Lapsed)

M/s Murarka Engineering Works, New Delhi—Metallic Industrial Springs of all types—(Cancelled)

M/s Hindustan Insecticides Ltd., Hans Bhavan, New Delhi—Caustic Soda—(Lapsed)

M/s Bharat Steel Tubes Ltd; New Delhi—Clutch Assembly, etc.—(Cancelled)

M/s Swaika Vanaspati Products Ltd., Calcutta—Cotton Seed Oil—(Lapsed)

M/s United Agencies Pvt. Ltd., Udyog Bhavan, Walchand Hirachand Marg, Bombay-1.—Cigarettes—(Lapsed)

Shri B. D. Hansaria, C/o Bolt House, 402, Akash Deep (4th Floor), Barakhamba Road, New Delhi.—H. T. Fasteners—(Lapsed)

M/s Nuchem Plastic Ltd., 20/6, Mile Stone, Mathura Road, Faridabad—Methanol—(Cancelled)

Role of small industry in the new economic programme

THE FEDERATION of Indian Chambers of Commerce and Industry (FICCI) organised on August 13, 1976 a seminar in the capital on the "Role of Small Industry in New Economic Programme". A background paper prepared by the FICCI covered three aspects of this problem. First, the role of small industry and the pattern of its growth since 1950; Second, the promotion of small industries in backward areas and lastly the role of ancillary units in supporting the large-scale industries.

The importance of small-scale industries has increased significantly in recent years. According to the latest estimates, the production of small-scale industries in this country has doubled since 1970. With the accent on increased promotion of small-scale industries and the patronage that is being accorded to them by the state, it is a foregone conclusion that their growth will be accelerated in the remaining part of the current decade. Given below in full is the section on the role of small industry in industrial development along with the relevant statistical data:

Ancillary Units

The role of small industry in industrial development is by now well understood the world over. Even in industrialised countries with the accent on mass production, small units exist and thrive as ancillaries to large units and in sophisticated production lines. In fact, the productivity of large units to some extent depends upon the fulfilment of their specialised requirements by smaller units. Small units employ more than 65 per cent of the total industrial work force in the USA, 27 per cent in the Federal Republic of Germany and 83 per cent in Japan.

In India also, small industry has been assigned a distinctive role in the developmental process. To quote from the Industrial Policy Resolution, 1956, which directs the pattern of investment in different sectors of the economy:

Village Industries

"Government of India... stress the role of cottage, village and small-scale industries in the development of the national economy. They provide immediate large-scale employment; they offer a method of ensuring a more equitable distribution of the national income and they facilitate an effective mobilisation of resources of capital and skill which might otherwise remain unutilised. Some of the problems that unplanned urbanisation tends to create will be avoided by the establishment of small centres of industrial production all over the country .... The aim of the state policy will be to ensure that the decentralised sector requires sufficient vitality to be self-supporting and its development is integrated with that of large-scale industries".

The New Economic Programme initiated by the prime minister places additional emphasis on the development of small industries. Its accent on emancipation of the weaker sections of the society i.e. landless labourers, artisans, small and marginal farmers, mostly living in rural and backward areas of the country, reflects the desire to uplift their living standards through dispersed and decentralised production. The small-scale sector which has already shown its capacity to produce a variety of commodities and to create gainful employment opportunity for a large number of people should get a new impetus and occupy an important place in the emerging socio-economic order.

Over the years, there has been spectacular growth of small industries. According to the Small Industries Development Organisation (SIDO) the number of small units during 1966-75 increased by 317 per cent; employment by 90 per cent; and investment by 174 per cent. Small units now constitute about 90 per cent of the total registered factories. The share of the small scale sector in the total industrial production has increased at a steady rate from 35 per cent in 1972 to 38 per cent in 1974. In 1975, the growth rate appears to have been 14 per cent. The index of production in the small scale sector during January-March, 1976 shows an increase of 14 per cent against 10 per cent in the large scale sector. (Table I)

The publication of the National Census of the Small Scale Industries by the Small Indus-

TABLE I

Estimated Value of Output and Rate of Growth in the Small Scale Sector

Year	No of units registered	Value of output (Rs crores)	% share in the total industrial production	Rate of growth in per cent
1972	2.8	2900	35	18
1973	3.2	3400	36	6
1974	4.1	4900	38	12
1975	4.9	5700	N.A.	14

Notes : (i) Value of output has been estimated on the basis of S.S.I. Census—1972. Suitable adjustments have been made for production not falling under the census sector

(ii) While calculating the rate of growth the value of output has been separately reckoned at constant prices.

tries Development Organisation (SIDO) has fulfilled a long felt need for precise data on small scale industries. The Census provides valuable information on various aspects of small industries. Some of the important findings of the Census are given below:

— The Census has collected information for 140,000 units working in 1972 (the base year for the Census). There was a substantial increase in production of the small scale sector in the three years for which data was collected during the Census 1970-72. The gross value of output increased by 31 per cent in 1972 over 1971, and 25 per cent in 1971 over 1970.

— With suitable adjustments in respect of new units and forecasting of production trends, the annual production at current prices has been estimated for 1973, 1974 and 1975. Increase in production has been placed at 18 per cent in 1973, 44 per cent in 1974 and 18 per cent in 1975.

New Index

— The Census has made an effort to construct an index of industrial production in the small scale sector. For this purpose, the year 1970 has been taken as the base year to fall in line with the general index which also has 1970 as the revised base. On this basis the index of industrial production in the small scale sector is 119.5 for 1971. 145.6 for 1972, 153.2 for 1973, 169.3 for 1974 and 188.7 for 1975. The estimated index in February 1976 stood at 196.87. The provisional index for March 1976 is 202.54.

— Out of 140,000 units, whose data was tabulated, 89 per cent of the units had come into existence only after 1950, i.e. mostly from the beginning of the first five-year Plan. There was marked increase in the number of units during the first four years of the fourth Plan, 35 per cent as against 19 per cent during the third Plan, 12 per cent in the second Plan and five per cent in the first Plan period.

— Proprietary units were predominant in the small scale sector accounting for 62 per cent. Of the rest, partnership accounted for 35 per cent and limited companies three per cent. Cooperatives numbered only 1,008 or 0.7 per cent.

— Out of 490 industries (which produced 2,400 products) into which the Census units were grouped, 29 had more than a thousand units each and accounted for 53 per cent of the total number of units. As far as location of industries was concerned, 35 per cent were in backward areas, 15 per cent in the rural industries project areas and five per cent in industrial estates. These, however, are not mutually exclusive groups. About 6,000 units were reported to be ancillary units; one-third of these were concerned with five industries, namely, bicycle parts and accessories auto products and accessories, iron and steel castings and forgings, bolts and nuts and parts and accessories of industrial machinery. About two per cent of the units had sought ISI markings or quality or certification under the quality marking schemes of the states.

- Maharashtra, Punjab, Tamil Nadu, Uttar Pradesh and West Bengal, which had more than 10,000 units each, together accounted for 52 per cent of the total number of units, 46 per cent of employment, 62 per cent of the investment in fixed asects, 59 per cent of gross output. Kerala had the maximum average number of persons per unit, namely 20, as compared to the overall average of 12 persons.

— The investment in productive assets amounted to Rs 1677 crores, i.e. Rs 1055 crores in fixed aasets and Rs 622 crores in working assets. Plant and machinery on an average constituted 50 per cent of the total fixed assets. About 60 per cent of the units did not own land or buildings. The gross value of output was Rs 2603 crores*. These units provided employ-

TABLE II

Number of Units, Employment, Investment in Fixed Assets and Gross Output by Broad Industry Groups

Industry group	No. of units	Employment		Investment in fixed assets (Rs '000)		Gross output (Rs '000)	
		Total	Per unit	Total	Per unit	Total	Per unit
1	2	3	4	5	6	7	8
Food Products	6577	131220	20	571488	87	1522876	232
Beverages	469	4577	10	42783	91	73944	158
Hosiery & Garments	6718	75346	11	361094	54	1554320	231
Wood Products	12188	94703	8	423909	35	1026149	84
Paper Products & Printing	8332	89146	11	870360	104	1264082	152
Leather Products	5040	31775	6	113973	23	885544	176
Rubber & Plastic Products	7688	81690	11	804701	105	1511662	197
Chemicals	11837	159013	13	1009214	85	3466506	293
Glass & Ceramics	7799	202269	26	628657	81	1255173	161
Basic Metal Industries	5073	109626	22	852346	168	2941462	580
Metal Products	34011	300060	9	1876887	55	4691103	138
Machinery & Parts	12701	145333	11	1252964	99	2109912	166
Electrical & Electronic Products	4409	65908	15	539773	122	1517168	344
Transport Equipment	6049	83492	14	649542	107	1347902	223
Miscellaneous	3489	40025	5	268200	39	626689	32
Repairing, Servicing Job Work	7197	38995	11	280952	77	232893	76
Total	139577	1653178	12	10546843	76	26027385	186

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*Relates to Census Sector only.

ment to about 16.53 lakh persons. (Tables II and III).

— Out of 2400 products manufactured by the Census units, over 750 or 31 per cent were exported. The value of exports in 1972 (ex-factory price) was Rs 150.49 crores or six per cent of the total value of output of the Census units. About 78 per cent of the total exports was accounted for by 27 items, which except for four items were rather traditional in nature. The USA, the UK, the USSR and Japan were the most important among importers of small industry products, their share being 63 per cent. The bulk of the exports was from four states namely, Tamil Nadu, Kerala, Maharashtra and Punjab which accounted for 76 per cent of the exports in 1972.

Role of SIDO

The growth of small scale industries has been possible due to comprehensive assistance provided by government to the small entrepreneurs. The Small Industries Development Organisation (SIDO) of the ministry of Industry has got a network of small industries service institutes, branch institutes, extension centres and workshops throughout the country. The assistance programme of the SIDO includes supply of information on prospects of items which can be taken up in the small scale sector: drawing up of schemes and industry prospect sheets; common facility and extension services; training in management and technical trades; assistance in modernisation and technological development and guidance in procurement of machinery, factory sites, finance, marketing, participation in government stores purchases, etc. Besides, the state governments through their respective directorate of industries assist the small entrepreneurs in allotment of land/factory sheds, recommend them for supply of scarce raw materials, including imported ones and provide financial assistance both for long-term and short-term requirements.

Protective Field

In order to provide a protective field where small entrepreneurs would be able to establish units without any fear of superior competition from new large scale concerns, government have reserved 222 items for exclusive manufacture in the small scale sector. Financial assistance is available to small industrialists from the state financial corporations, scheduled commercial banks and from state directorate of industries under the State Aid to Industries Act. The National Small Industries Corporation provides assistance in the fields of supply of modern plant and machinery on hire-purchase basis; training facilities; technology know-how for commercial production of prototypes developed by the prototypes development-cum-training centres; testing facilities, supply of raw materials and components both indigenous and imported, and in both internal and external marketing including introduction of products of small scale sector industries to central buying agencies.

The number of facilities available to small industry may sound impressive. However, there are certain points which need to be noted. Technical assistance, by and large, is limited both in range and quality. Raw material supplies often do not measure up to demand or specifications. Provision of machinery through hire-purchase, has, in recent years, not been satisfactory because of the internal problems of the NSIC. Marketing strategy is at best only in name.

Despite the recorded progress made by the small scale units over the years and various incentives/assistance offered by the central and state governments, there is need to remove certain continuing problems. Such problems fall into three major heads, namely:

(i) common problems affecting the general growth of the small industry;

(ii) promotion of small scale units in the backward areas; and

(iii) quickening the phase of ancillarisation. The common

TABLE III

Number of Units, Employment, Investment in Fixed Assets and Gross Output – State-wise

Sl. No.	Name of state/ union territories	No. of units	No. employed	Investment in fixed assets (Rs lakhs)	Gross ourput (Rs lakhs)
1.	Andhra Pradesh	8021	78673	4587	8591
2.	Assam	1648	19652	1109	2264
3.	Bihar	5260	61465	3179	7203
4.	Gujarat	9904	114500	2604	20862
5.	Haryana	4591	48503	4045	10179
6.	Himachal Pradesh	1495	5851	316	452
7.	Jammu & Kashmir	1039	9614	367	1103
8.	Karnataka	5618	64385	4379	7977
9.	Kerala	6206	126514	4408	11565
10.	Madhya Pradesh	7701	59612	3043	7003
11.	Maharashtra	15358	239770	22666	52947
12.	Manipur	485	3409	90	332
13.	Meghalaya	164	1188	87	120
14.	Nagaland	38	446	28	48
15.	Orissa	1779	18624	879	2226
16.	Punjab	13675	123544	8154	24337
17.	Rajasthan	7062	45680	2559	5638
18.	Tamil Nadu	16002	215182	1115	32178
19.	Tripura	246	1698	79	145
20.	Uttar Pradesh	12851	160027	9133	22266
21.	West Bengal	13931	176198	9190	27022
22.	Arunachal Pradesh	11	181	1	11
23.	Chandigarh	284	2882	333	635
24.	Dadra & Nagar Haveli	25	361	31	47
25.	Delhi	5102	64880	5268	13698
26.	Goa, Daman & Diu	637	7253	600	1080
27.	Mizoram	61	336	21	30
28,	Pondichery	294	2570	127	314
	All-India	139577	1653178	105468	260274

problems, are dealt within the following paras:

The development of small units has not taken place uniformly in all the states. For instance, out of 1.4 lakh small units, about 51 per cent of the units are located in five states alone, i.e. Maharashtra, Punjab, UP, Tamil Nadu and West Bengal. Similarly, a large number of these units are concentrated in and around large metropolitan cities where there is also concentration of large manufacturing units, with the result dispersal of industries has not taken place to the desired extent and there are still many areas and districts which are lacking in industrial activity. How to develop entrepreneurship in such remote areas and how to attract small units?

Development Organisation

The Small Industries Development Organisation have, no doubt, realised the need for development of entrepreneurship and set up a division in September 1975 for Entrepreneurship Development. The main functions of this division is planning, organising and coordinating programmes of entrepreneurial development; identification of entrepreneurs in cooperation with agencies concerned, preparation of plans for motivation and training of entrepreneurs; securing provisions of package incentives, including essential inputs; assistance to non-resident Indian and appraisal and restructuring of entrepreneurial development programme. The participants should be in a position to comment on the success of this programme and the areas where it has to toned up.

The share of small scale sector in the total employment is still around only 20 per cent. This indicates the vast scope for the development of the small scale sector. However, the cost economies accruing from the various schemes of operation in each field will have to be the ultimate consideration in sorting out the areas in which small scale units can gainfully operate. Recently, government has taken a policy decision that hereafter reservation of items for production by the small scale units will be only determined on the basis of this criteria which should help the growth of small scale industries' in the long run on right lines.

Yet another problem faced by the small scale units is adaptation of moderm techniques of production and management. The Small Industries Development Organisation had drawn up a programme to provide training facilities for management and the development of entrepreneurs and other technical personnel of small industry units. To what extent this programme has progressed is not known. It will be useful to draw the programme in consultation with the representatives of the large scale industry who may be able to train the small entrepreneurs as well as officers of the small industries organisations in the defined areas.

General Criticism

Often a criticism is levelled that small enterprises are not quality conscious and do not care to institute proper quality control measures This may not be generally true. However, the need for quality control equipment and other facilities exists on a large scale. This is a time-consuming and cost raising process.

Testing facilities of the SISI's at any given time are fully booked and many small units have perforce to go without the benefit of quality testing. Besides, these units which are situated at a distance from SISI's find that making use of its services means considerable delay, additional transport costs, and employment of additional manpower all of which they can ill-afford. The other alternative is that they should have their own testing equipment. But the cost of equipment is too high. It is suggested that banks should advance loans at nominal rates of interest to small units for the purchase of testing equipment.

Second, the cost of quality control equipment should be treated as part of the project cost itself. Such steps will be in the interest of both the lending institutions and the small entrepreneur themselves, since ensuring proper quality control will help small units to become viable enterprises. Large units too could assist. Specially in respect of production of ancillaries and sub-contract products mutual marketing agreement may be developed.

Marketing is the *Achille's Heel* of small enterprises. Governmental measures in this respect have not gone very far. Recently some discussions have been initiated by the office of the Development Commissioner to enlist the support of larger trading houses to bridge the gap to the extent possible. It is still at the experimental stage. This is an issue which requires very serious consideration.

Credit is a universal problem to industry as a whole. Small industry has no doubt been given some leeway. The fact still remains that there is no sufficient credit to go round. Besides, the cost is too high. With banks flushed with money some liberalisation both in the volume and terms should be considered.

The above pertains only to the working capital. Medium and long term capital requirements continue to pose problems. Even today most of the small entrepreneurs have to depend on family and friends. This is not a healthy state of affairs. The idea of having a separate financial institution to cater to the small industry mooted long ago does not seem to have found favour. It could perhaps be revived or other alternatives explored.

The problem of off-take

TABLE IV

Subsidy for Backward Area Development

(Rupees in lakhs)

Year	Budget provision	Amount sanctioned & reimbursed	Percentage of 3 to 2
1	2	3	4
1972-73	75.00	11.76	16
1973-74	100.00	58.90	59
1974-75	400.00	400.27	100
1975-76 (as on 20.11.75)	500.00	344.29	69
Total	1075.00	815.22	—

though somewhat mitigated continues to persist. The issues here are particularly of two types: Where sickness has percolated from the parent units as in the case of automobiles, or general slackness in demand. There are reports of quite a few units having closed down and others being on the verge of it. Cash flows in many cases are poor and balance sheets still worse. In other words, profitability has perceptibly declined.

Definitions

Japan: By 'Small Industries' is meant those relatively small in scale of management and capital investment although the basis for classification varies according to the types of industry and cannot be generalised. In government practice, the term is applied to those industries employing less than 300 persons in the manufacturing industry and with an amount of capital falling short of 10 million Yen.

USA: In the USA, the manufacturing firm is officially small business for government procurement purposes, if it is not dominant in its field of operation and has fewer than 500 employees, or if it is certified as small by the Small Business Administration. For purposes of financial and other assistance, it is classified as small if it has fewer than 250 employees, depending on size standard set for different industries.

UK: There is no such demarcation between small and large industries. However, in books and treatises on industrial subjects, units employing less than 500 workers are generally referred to as small units but this cannot be considered as a criterion of universal applicability.

W. Germany: No official definition exists for small industry. Units having up to 300 workers are considered to be small units.

India: The government of India has defined small industry and ancillary industry as given below:

Small Scale Industries: "Undertakings having investments in fixed assets in plant and machinery not exceeding Rs 10 lakhs".

Ancillary Industries: "Undertakings having investments in fixed assets in plant and machinery not exceeding Rs 15 lakhs and engaged in —

(a) the manufacture of parts, components, sub-assemblies, toolings or intermediates; or

(b) the rendering of services; and supplying or rendering, or proposing to supply or render 50 per cent of their production or the total services, as the case may be, to other units for production of other articles:

Provided that no such undertaking shall be a subsidiary of, or owned or controlled by, any other undertaking".

Apart from the increase in the monetary ceiling, the new definition for ancillaries involves changes in the following important respects:

i) Units producing intermediates will now be recognised as ancillaries;

ii) Units providing servicing facilities, e.g. sand-blasting, machining, pressure cleaning, grinding, etc. will be recognised as ancillaries;

iii) The concept of "parent" unit will now include small scale industries also. Thus, one small industry can function as ancillary to another;

iv) A unit to be recognised as ancillary should supply or propose to supply at least 50 per cent of its production to one or more parent units.

TABLE V

State-wise and Year-wise Break up of Amount of Subsidy Reimbursed

(Rs in lakhs)

State	1972-73		1973-74		1974-75		Total of cols. 2 to 4	Percentage of total
	Amount	% of total	Amount	% of total	Amount	% of total		
1	2		3		4		5	6
Andhra Pradesh	—	—	—	—	61.47	15	61.47	13
Assam	—	—	2.50	4	2.30	1	4.80	1
Bihar	—	—	—	—	12.74	3	12.74	3
Gujarat	—	—	0.56	1	15.26	4	15.82	3
Haryana	—	—	—	—	—	—	—	—
Himachal Pradesh	—	—	—	—	23.67	6	23.67	5
Karnataka	10.25	87	—	—	18.35	5	28.60	6
Kerala	—	—	—	—	29.84	7	29.84	6
Madhya Pradesh	—	—	—	—	12.76	3	12.76	3
Maharashtra	—	—	48.11	82	83.08	21	131.19	28
Manipur	0.18	2	—	—	—	—	0.18	—
Meghalaya	—	—	—	—	5.95	2	5.95	1
Nagaland	—	—	—	—	3.77	1	3.77	8
Orissa	—	—	—	—	9.84	2	9.84	2
Rajasthan	1.33	11	2.31	4	35.67	9	39.31	8
Punjab	—	—	0.59	1	11.11	3	11.70	3
Tamil Nadu	—	—	4.57	8	44.65	11	49.22	11
Tripura	—	—	—	—	—	—	—	—
Uttar Pradesh	—	—	—	—	28.39	7	28.39	6
West Bengal	—	—	0.18	—	1.40	—	1.58	—
Pondicherry	—	—	0.08	—	—	—	0.08	—
Jammu & Kashmir	—	—	—	—	—	—	—	—
Total	11.76	100	58.90	100	400.27	100	470.93	100

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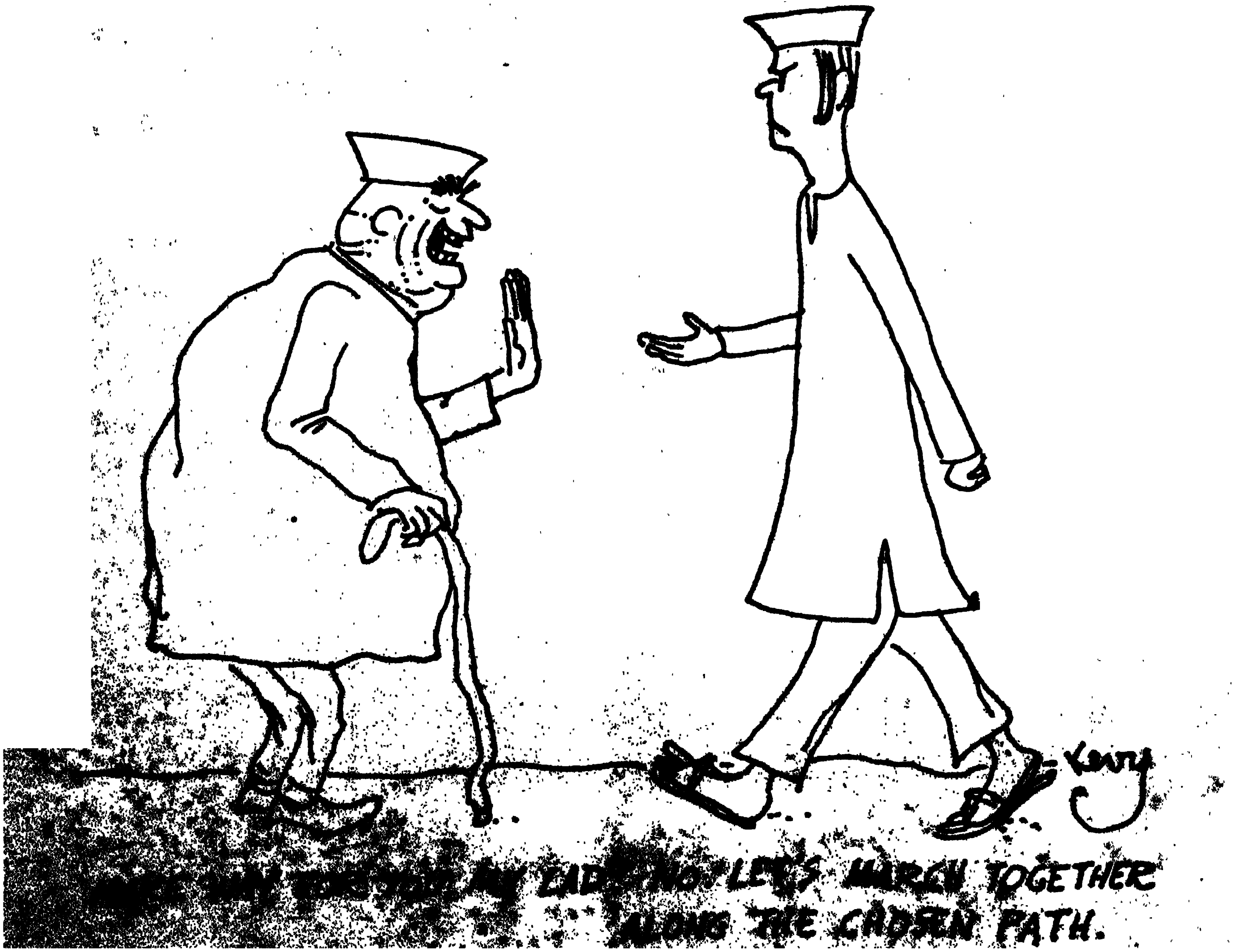
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Small-scale industries' claim to distinction

AT THE seminar on the role of small-scale industry organised last week by the Federation of Indian Chambers of Commerce and Industry (FICCI), Mr T.A. Pai, union minister for Industry, brought out forcefully the distinctive characteristics of this wing of industry. Relying on estimates made for 1973-74, he said that one-third of the manufacturing production in this country was accounted for by the decentralised sector comprising small-scale, village, handloom, handicrafts, silk and coir industries and in the total manufacturing value added, its share was as much as 37 per cent. Much more significant was the employment-generation capacity of this sector. As against only four million jobs offered by the large-scale manufacturing sector, the number of workers in the decentralised sector was as high as 18 million.

The comparative neglect of the decentralised sector was perhaps due to the paucity of information regarding its scale of operations. It was in 1972 that the first Census of the small-scale sector was conducted. Keeping track of the working of the small-scale sector till last year, the FICCI has concluded that the total value of output almost doubled from Rs 2900 crores in 1972 to Rs 5700 crores in 1975. The average rate of growth in this period has been more than 12 per cent per year. Mr Pai was of the view that in 1976-77, the growth rate of this sector will be around 18 per cent. Thus, the small-scale industry has come to occupy a place of pride in the industrial structure of this country the credit for which must go to the liberal assistance provided by the government to small entrepreneurs. Understandably the government is now keen to conduct an economic census of handlooms, handicrafts, khadi, village industries etc and include them all in the index of industrial production which, without them, presents a partial picture of progress made in industry.

Undoubtedly it was the reservation of items for exclusive development in the small-scale sector which had given it a big push forward. Currently, the list of items reserved for it includes no less than 180 different products embracing mechanical engineering, automobile ancillaries, carriage equipment, chemicals, glass, ceramics, leather, plastics, rubber, paper and wood-based industries, electronics etc. And many of these units provide essential needs of the common man including agricultural implements, buckets, domestic utensils, hurricane lanterns, umbrella fittings, electrical appliances, low-cost radios, paints, dyestuffs, leather footwear, cycle tyres and tubes, laundry soap and tooth paste.

But mere production of these items is not enough. As suggested by Mr Pai, the units in the small-scale sector should be quality and cost-conscious. It is here that many of the units in this sector are found wanting. What is more, the access to technological, managerial and marketing inputs being almost non-existent, the small units fare badly and the rate of mortality among them in a recessionary period is high. These units need active support from both industry and trade. The steps taken by the government in regard to the establishment of testing centres, quality marking, prototype development, tool room centres etc are necessary but not sufficient. Active support from both large-scale industry and trade is of the utmost importance for steady progress of this sector.

A few small-scale units which have done extremely well financially tend to blur the financial straits of these units. In fact, those units which have had a good performance for more than five years already border on the medium industry sector. The bulk of the small units — almost four out of five — have investment of not more than Rs 50,000. It is these units which are highly vulnerable and which have truly been clubbed in the "tiny sector". Their capacity to generate increasing employment opportunities is undeniable but their financial viability is always precarious. They need support in marketing, consultancy, transport and technology. It is imperative that the schemes of assistance chalked out by the centre and the states should not go to strengthen only the top 20 per cent of the units in this sector; the interests of the really small units should be meticulously watched and all possible measures should be taken to assist them.

An important section of the small-scale units is covered by what is popularly described as ancillarisation. The ancillary unit may be a supplier to a single unit or a number of units. There are units in the large-scale sector which are heavily dependent upon supplies from ancillary units. For example, the tractor industry in this country buys 60 per cent of its inputs from ancillary units. In the USA, DU Pont — one of the biggest chemicals company in the world — depends upon 30,000 other firms for its supplies and about 93 per cent of them are small-scale units. Heavy dependence of ancillary units on a parent unit can be both useful as well as damaging. When recession overtakes the captive unit, the ancillaries have no option but to close down. But such a close association with a big unit can also assure sub-contracting work on a continuous basis. In the long-run, it is in the interest of the captive unit to keep alive the ancillary units.

Import poilcy and the new pile of foreign exchange

THE SURGE in foreign exchange reserves of our country since the middle of last year has come about in a way that it has agreeably surprised the government of India and the Reserve Bank and it is now being examined how these reserves can be profitably utilised. The Reserve Bank alone held in the form of foreign balances as much as Rs 1934.06 crores on July 30, 1976 against only Rs 536.60 crores on August 1, 1975. The net improvement of Rs 1,397.46 crores in a 12-month period has taken place even after repaying to the International Monetary Fund Rs 65 crores earlier this year. Also the oil facility utilised in August last year accounted for only Rs 207.10 crores. It should, therefore, be stated that the net advantage accruing from the oil facility was only Rs 142 crores and the additions to foreign balances with the central banking institution by Rs 1252 crores have been due to special factors.

The drive against smuggling operations, an increase in invisible receipts and larger remittances from non-resident Indians to their dependents in this country have been responsible for this spectacular growth in foreign balances. The emergence of trade surpluses in the past few months may have also been a helpful factor as in April/July the foreign balances rose by Rs 416.08 crores.

The union Finance ministry and the Reserve Bank authorities are reported to be examining how the phenomenal growth in foreign exchange reserves has come about and whether it will be advisable to project future estimates of increases in foreign exchange reserves on the basis of recent developments. If there has been less of under-invoicing of exports and over-invoicing of imports it can be expected that tangible advantage will accrue to the balance of payments position in the coming years. If the leakage of foreign exchange used for smuggling operations has also been effectively plugged, and the earlier evil of compensatory financing against remittances from non-resident Indians in foreign exchange has also been eliminated, there will be continuing benefit to the balance of payments position. There is, however, a feeling that some part of the rise may be due to the opening of accounts by non-resident Indians in designated foreign currencies and repatriation of capital from abroad which may happen only on a one-time basis.

The Reserve Bank is reported to be carrying out an exercise for determining the various components that have contributed to the recent surge in foreign exchange reserves and the emergence of a trend which is in strong contrast to the happenings of the past decade. The utilisation of foreign aid from the Aid-India Consortium has no doubt been highly helpful and even it was possible in 1975-76 to build up buffer stocks of foodgrains and fertilisers with non-project aid and higher level of current foreign exchange earnings through exports. As has been repeatedly stated earlier, the large trade deficit of 1975-76 was developmental in character and the dependence on aid for immediate current consumption was considerably less than in earlier years due to a vastly improved internal economic situation.

new developments

The question now is : What is the significance of all these new developments and what should be done with the existing huge reserves? It is somewhat difficult to understand why the Planning Commission has been feeling hesitant about a big increase in plan outlay by raising, if need be, the foreign exchange content of expenditure and indulging also in selective doses of deficit financing, in the event of inadequacy of rupee resources, for completing specific projects on a defined basis. The union Finance ministry is reported to be keen on enlarging the size of the fifth Plan and also raising additional rupee resources by increasing the statutory liquidity ratio of the scheduled commercial banks and asking the latter besides to extend credit to the state electricity boards, municipalities and other various projects.

Whatever may be the rate of accretion to foreign exchange reserves in the coming years, it can be safely assumed that the net increase of Rs 1252 crores in the 12 months ended July 1976 can be used for financing Plan schemes over and above the fresh aid that would be forthcoming in 1977-78. The rupee counterpart of foreign balances has of course been reflected in higher bank deposits and notes in circulation. This will imply that there may be some double accounting when calculations relating to mobilisation of rupee resources are involved, but the precise reason why the government has chosen to think in terms of a higher statutory liquidity ratio for the scheduled commercial banks is the expectation that the tapering off of expansion of food credit and a continuing rise in deposits will enable the banks to meet all the needs of borrowers in the priority and other sectors and at the same time comply with the obligations under a higher statutory liquidity ratio without difficulty.

utilisation of exchange

It may also be possible to realise rupees when a deliberate policy is adopted for using foreign exchange resources through larger imports of various items. The Reserve Bank may help the government to utilise these resources for deficit spending without cancelling the rupees arising out of the sale of foreign exchange. It will not, however, be advisable to indulge in negative policies like those involved in importing gold and effecting sales at a profit to individuals in this country. The suggestion that the State Trading Corporation should purchase gold in world markets around the current low prices and sell the yellow metal at a premium around the current rupee quotations is to say the least not well-conceived. Apart from the fact that it will not be desirable to invest scarce foreign exchange in gold acquired at world prices and then realise rupees by consuming foreign exchange, there is no knowing that the State Trading Corporation will be in a position to derive substantial profits out of gold sales to Indian citizens.

The experience of auctions by US Treasury and the International Monetary Fund clearly shows that any talk of large sales will have a depressing effect on open market prices for gold. As stated last week in these columns, the US Treasury sold in July 1975, 5,00,000 ounces of gold when the prices were fluctuating in New York between $160 and $168 per ounce. Thereafter the IMF made known its intention to dispose of part of its gold reserves for creating a Trust Fund out of the profits realised on these sales. This indication itself induced a bearish trend in gold prices and by the time first auction of 780,000 ounces by the IMF was held in June this year, the quotation had come down sharply and the tenders had to be acepted at $126 per ounce. In the second auction in July a similar quantity was placed at the lower rate of $122.05 per ounce. After this sale there was a dip in the price to $107 in London and the subsequent rally has succeeded only in wiping out part of the losses, the quotation being $112.80 per ounce in August 1976. This compares with the peak of nearly $200 per ounce in the last quarter of 1974.

It cannot therefore be expected that rupee prices will remain at the present high levels if the State Trading Corporation discloses its intention to sell gold to individuals in this country out of imports. While there is bound to be a big drop in rupee prices with sizable selling, there is also the danger of a decline in world prices with a continuing sales by International Monetary Fund. It is quite likely that free market prices in London and New York will stabilise around $100 per ounce and a new trend may emerge only after it was known as to what was the value of gold as metal, as it has been demonstrated in the case of silver. But wide fluctuations in prices cannot be ruled out if gold gets ultimately demonetised.

It will not therefore be advantageous from any point of view to indulge in any experiment for effecting gold sales out of imports with a view to mobilising rupee resources. It will not be possible to secure large sums in this process and it is needless to say that the risks will not be worthwhile. On the other hand the foreign exchange reserves can be helpful in maintaining buffer stocks of edible oils, raw cotton of varieties usually imported and non-ferrous metals. There may be also banks of chemicals and other raw materials. A revolving fund of Rs 500 crores will suffice to administer buffer stocks of various items. (The question of importing foodgrains does not arise now.) This procedure will also

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enable the STC and other agencies to watch more closely the fluctuations in world prices and effect bulk purchases judiciously. Some portion of foreign exchange resources may also be used for Plan purposes. The present opportunity for hastening economic growth, stepping up plan outlay and containing inflation through effective use of foreign exchange resources and an intelligent policy for mobilising rupee funds should not be missed.

The new challenges for consultants

THE INAUGURATION in New Delhi towards the close of last month by the union minister for Industry, Mr T. A. Pai, of the National Association of Consulting Engineers brought into focus the crucial role that engineers can play in not only fostering the economic development of the country but also exports. The need for the setting up of such an organisation had been felt for quite some time primarily for developing this professional infrastructure for industry. The materialisation of this objective could not have been at a more opportune time than the present juncture when we are on the threshold of a breakthrough in the export of consultancy services and turnkey projects and also are poised for a fresh major thrust on the industrial front.

significant strides

Over the last couple of years, very significant strides, indeed, have been taken in the export of consultancy services. They have yielded several turnkey projects—some even very prestigious ones like the Rs 102 crores Libyan contract for the completion of a thermal power station there, the Rs 17 crores worth contract for the supply of boilers to New Zealand, contracts for putting up water treatment lpants in west Asia and Thailand as well as for conducting surveys, again in west Asian countries, for laying new railway lines. In fact, the bids for turnkey projects abroad by both public and private sector undertakings have multiplied fast in the past few months and it is hoped that very soon a sizeable export market for our consultancy services will be built up as our technology should readily fit in with many developing countries which are passing through the same vicissitudes through which our own economy has passed over the last 20 years. The scale of production required by the developing nations too is a favourable factor for exporting our consultancy and technical services.

new phase

So far as our own industrial development is concerned, there can be no denying the fact that having progressed a good deal on the road to industrialisation, we have now entered the phase of sophisticated production, technical assistance for which may be hard to get from the developed countries which are more interested in maintaining their lead over the rest of the world in technological advances than in sharing it with the developing nations. Further, the technology available in the advanced countries is not always suited to developing nations because of various reasons, the more important among them being the size of the market to be catered for, the different environmental conditions and the stages of manpower development. The imported technology, therefore, has to be adapted to the specific needs and circumstances of our economy. This can obviously be done only by our own technicians and consultants. The drain of foreign exchange resources on account of imports of technology—sometimes repetitive—is another factor which calls for a rapid expansion of our consultancy services.

It is heartening to note that sizeable progress has already been made since the mid-fifties when the consultancy profession took roots in a small way with the establishment of the National Industrial Development Corporation and Dastur and Company—almost simultaneously—and we have reached the stage of having over 150 consultancy organisations employing 15 or more professionals—some even as large as employing over 1,000 professionals—meeting the needs of the entire spectrum of industrial activity. Besides, there is a large number of smaller organisations and individuals practicing as consultants. Their contribution to the solutions of industrial problems has not

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AUGUST 23, 1946

Since the middle of 1943 there has been a growing feeling that the prosperity of the agriculturist on account of high prices of primary products was growing and that the huge volume of agricultural debt must have either been liquidated or have fallen significantly. Such a view was reinforced by the very distinct and striking tendency on the part of the agriculturist borrowers from Co-operative Land Mortgage Banks to return their debts far ahead of the periods fixed for repayments. Undoubtedly some of these were exaggerated. But there was no means of ascertaining how real and widespread was the prosperity of the rural classes, whether all sections of the agriculturists came in for their due share of such prosperity, how far the non-agriculturist, the tenants and labourers derived any benefits from the general high level of prices and prosperity, whether wage rates, increased in proportion to the increase in the cost of living and whether any contraction of debt was of the order usually believed. The Reserve Bank of India, in a communication addressed to Provincial Governments as early as August 1943, drew attention to the fact that while under the condition created by the war agricultural incomes must have considerably increased and the burdens of debt become much lighter, it was conceivable that unless planned action was taken, the agriculturist must once again sink back into debt. They therefore suggested a comprehensive enquiry into rural indebtedness with a view to taking action to prevent a reversion to the pre-1939 debt position.

been insignificant as should be evident from the impressive gains registered over the last decade in import substitution as well as in the setting up of new industrial units without external assistance.

This, however, does not imply that their remain no gaps to be filled in the consultancy profession. In fact, there are may deficiencies for which concerted efforts are called for in the next few years so that dependence on foreign technology can be reduced to the minimum level. Self-sufficiency in technology in the sense that no technology is to be imported, of course, if out of question in the present-day world. Technology transfer has to be a two-way traffic if the fruits of global research are to be enjoyed by all.

As Mr Pai observed in his address to the inaugural session of the National Association of Consulting Engineers, two major areas in which a good deal of work still remains to be done are product innovation and improvement and provision of necessary technology and basic engineering, particularly for a variety of processing industries. As an economy progresses, a subtle change takes place in the type of products needed by the consumers. If the foreign markets have to be catered for, the need for effecting sophistication in production assumes even greater significance. There, thus, arises the need for special-purpose machine tools which have to be designed and produced. Forecasting of future technological changes too becomes imperative. This task apparently can be more effectively tackled by consultants rather than individual entrepreneurs. As regards basic engineering, the progress achieved so far has not been up to the levels attained in industrially advanced countries, although our consultants have acquired capabilities for undertaking detailed designing and engineering of all types of industrial facilities.

important task

Another very important task which has to be tackled by our consultants is the commercialisation of indigenous R & D efforts. The various national laboratories and industrial research institutions in the country, undoubtedly, have developed many production processes which still await commercial exploitation—not only because of the apprehension about their first time use but also owing to the fact that they have not been propagated adequately. Consultancy firms surely can provide a useful bridge between the research institutions and industrial users by designing the technology developed by the former into completely engineered packages and providing the necessary guarantees for its operation. These firms can also spur indigenous R&D efforts by providing useful clues, based on their market experience, for undertaking research in specific fields.

Still another area in which our consultants can play a great role is the prevention of sickness in industry and deriving of the maximum advantage from the existing equipment. For this task, however, they will have to become multi-disciplinary organisations which can provide not only engineering and technical know-how but also managerial and economic assistance. Establishment of close links between the consultancy services and financial and management organisations can also be helpful in this connection.

With a view to avoiding repetitive imports of technology, the consultancy firms can on their own acquire a process or technology and adapt it to suit the diverse needs of the different end-users. Horizontal transfer of technology can, thus, be facilitated a great deal.

World Bank for better Calcutta

IN A recent interview to the Press, Mr David Cook, leader of the World Bank team, made certain observations regarding the development of Calcutta, which should be of considerable interest to the country in view of its importance as a national city. The team is now in Calcutta in connection with the negotiations for a second loan from the World Bank for the city's development. The Bank granted a few years ago a loan of $35 million to the Calcutta Metropolitan Development Authority (CMDA), of which about 60 per cent has been disbursed. It seems likely that the Bank may grant a second line of credit.

Mr Robert McNamara, President of the World Bank, has been strongly emphasising the imperative need to accelerate urban improvement especially in the developing countries. In many of his speeches, Mr McNamara has warned about the perils of prolonged neglect of the urban problems. "If cities do not deal constructively with poverty", he declared recently, "poverty will deal destructively with cities". This is a warning which the government of India, the Planning Commission, the state governments and the civic authorities should heed carefully and in time.

Mr Cook pointed out that a multiplicity of civic institutions was not in the best interests of Calcutta's rapid development. This is, of course, true. Both the government of India and the government of West Bengal seem to be fully aware of this problem. But, surprisingly, little has been done to ensure the effective coordination of the various agencies. These include CMDA, Calcutta Corporation, Calcutta Improvement Trust, Calcutta Metropolitan Planning Organisation, Irrigation and Waterways Directorate, Housing Directorate, Public Works Department, Calcutta State Transport Corporation, Calcutta Metropolitan Water and Sewage Authority and a few others. Coordination among these agencies should not be difficult provided the West Bengal Cabinet gives special attention to this problem. Now that the World Bank team has stressed on this aspect, Mr Siddhartha Shankar Ray, the chief minister, should take the necessary steps in this direction so that the available funds can be put to the best use.

Mr Cook rightly said that the tradition in Calcutta was "more to build than to maintain". He said that the public utilities suffered tremendously from the lack of maintenance. But he was not right when he declared that the chief problem was of money. It is the lack of efficient administration rather than of money that has been mainly responsible for the poor maintenance of the public utilities. For instance, the appalling condition of most of the roads is largely due to the prolonged neglect of timely repairs. Here and there some roads have been improved and widened but this task has been generally done in an indifferent manner with the result that the same roads again need repair. Some months ago, the government of West Bengal invited experts on road engineering from other states and sought their advice. They offered many constructive suggestions for the improvement and maintenance of roads. But their proposals do not seem to have been implemented. As a result, most roads are in a wretched condition with wide and deep ditches, posing a hazard to motorists and pedestrians and bringing a bad name to Calcutta.

financial difficulties

Mr Subrata Mukherjee, the minister for Municipal Affairs, was recently reported to have remarked that the Calcutta Corporation's financial position was so bad that it did not have enough money even to buy essential things like broomsticks. But why should the corporation be perpetually in financial difficulties ? Mr Cook said that the property tax base in Calcutta was "very weak" and that the taxes raised per capita in Bombay were higher. This is correct. There have been many other suggestions made by financial experts and other authorities to augment the corporation's revenue. The corporation itself has made many proposals to the government, such as enhancement of the taxes and fees on trades, professions and callings, introduction of an employment tax on salaried persons, a terminal tax on commuters, allocation of 10 per cent of the net revenue from electricity duty, and payment of a major share of the motor vehicles tax as well as 25 per cent of the total proceeds of the revenue from amusement and entertainment tax.

The government of India and the government of West Bengal should examine how far these suggestions can be implemented for augmenting the revenue of the corporation and the other authorities which are engaged in Calcutta's improvement. But the citizens will benefit from such measures only if the government takes care to tone up efficiency at all levels and ensure proper coordination. It has been estimated that between 50 and 80 per cent of the expenditure of the municipalities in India is absorbed by payment of salaries. This by itself need not be a matter of concern if steps are taken to see that the employees are recruited on the basis of adequate administrative and technical skills, that they do their job with dedication and discipline and that the municipalities are not dominated by political factions.

West Bengal government claims that its financial position has remarkably improved in recent years and that, as a result, it has been able to wipe out all past deficits and produce surplus budgets for two years in succession. This is indeed a creditable achievement. But the citizens of Calcutta will not derive much benefit unless the state government ensures that the finances of the corporation and the other agencies are also improved and that they do their job with reasonable competence. The World Bank may be expected to continue to be sympathetic to the needs and aspirations of Calcutta. But as Mr Cook said, money from outside could not be a permanent solution and that the resources would have to be generated from within the city.

Mr Cook remarked that "Calcutta is a great city in decline—in danger of an urban breakdown". This observation would have been appropriate a few years ago when there was chronic political instability in West Bengal and the CMDA was in its formative period. But now that there is a strong and stable government and the CMDA has also acquired considerable experience, it seems odd indeed that Calcutta should still be described as a city in decline. Mr Cook said that the CMDA perhaps lacked social scientists, economists and financial analysts. But even if all such personnel are available in adequate number, the city will not improve rapidly unless its problems are tackled with a sense of urgency and seriousness. When a local newspaper recently carried the headline, "Garbage Returns to Calcutta", an angry citizen asked the editor : "When did garbage ever leave Calcutta?". Disposal of garbage, removal of encroachment from pavements, maintenance of roads in good condition, and clearance of stray cattle from the streets - these do not call for technical expertise of large resources. It is hoped that the improvement of Calcutta will gather momentum as a result of the World Bank's increasing interest in its problems.

RECORDS AND STATISTICS

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CAPITAL'S CORRIDORS

R.C. Ummat

Oil exploration • Damle committees' report • Price policy

CLOSE ON the heels of his revealation at a meeting of the Parliamentary Consultative Committee attached to his ministry a few days ago that oil had been struck in the "fault" between Bombay High and Bassein, the minister for Petroleum, Mr K.D. Malaviya informed the Lok Sabha last week that the first well drilled in a structure south-west of Bombay High had also indicated the presence of oil. This well is in the deeper continental shelf. If further drilling confirms this discovery, we will have a fourth major off-shore oilfield in the western continental shelf.

exploration rights

The exploration rights in this region are reserved for the Oil and Natural Gas Commission (ONGC) But considering the good prospects of finding oil in the deeper continental shelf, the ONGC has set up a separate cell to conduct exploratory work there, so that this work continues without being handicapped by the needs of operations in Bombay High and the other structures in the vicinity. The new structure which has been demarcated on the basis of seismic readings and other data is stated to be bigger than the Bombay High structure.

With a view to expediting exploration in the new structure and also intensifying the exploration as well as production work in the Bombay High and Bassein areas, the ONGC has sought international tenders for the supply of drilling ships. It hopes that because of the easier availability of such ships at present, suitable contracts would be signed soon.

The operations in the Kutch and Bengal basins, where exploration work has been contracted out to foreign concerns, however, has not yet indicated the presence of hydrocarbons. The data are stated to be being studied further. It is hoped that drilling in these two areas also will be resumed soon after the current monsoon season.

Mr Malaviya also informed the Lok Sabha last week that arrangements would be finalised soon for securing for the government an effective control over Oil India Limited (OIL) whose equity at present is shared equally by it with the Burmah Oil Company (BOC). This is the second undertaking engaged in exploration and production of oil in the country, but its activities currently are confined only to the onshore areas in Upper Assam. The acquisition of effective control by the government over it should enable this undertaking to take up oil exploration elsewhere also in the country, including the offshore areas. The minister, however, did not spell out what would be the government's share in the new set-up. He only observed that the control of the government over Oil India would be adequate to ensure a more effective programme of exploitation and production of crude oil by it than at present.

new divisions

The Institute of Petroleum Exploration, which is ONGC's research and development wing, Mr Malaviya stated, had been reorganised into five divisions—exploration, research and development, basin studies, computer service and instrumentation. The commission also has a design institute for project engineering of production facilities. Action has been initiated for the setting up of an institute of reservoir studies at Ahmedabad and an institute of drilling technology at Dehradun.

With a view to producing the maximum quantity of crude oil in the quickest possible manner, Mr Malaviya added that a programme had been evolved to identify and develop indigenous capabilities for the manufacture of various material inputs required for a large exploration and development programme.

Details were also given last week in Parliament by Mr Malaviya of the recommendations of the Damle Committee which submitted its report to the government on July 1 on the distribution of petroleum products in the country. The committee has recommended complete integration of storage and distribution facilities of the different oil companies operating in the country. It has further suggested that the concept of designating one of the oil companies as the regional lead company should be formalised and expanded to the maximum extent. A review of the present arrangements for the movement of products by pipelines, rail, road and sea has been called for by the committee with a view to economising on transportation cost.

The committee has stressed that it is the responsibility of oil companies to provide refined petroleum products to consumers in correct measure and requisite quantities at prescribed prices. An extensive survey of the requirements of rural areas through an independent specialist agency has been suggested to enable the government to determine the exact number of new retail outlets which should be established to meet the needs of consumers in rural areas from relatively closer retailing points than is the case at present. These outlets are to be known as "farm fuel outlets". In promoting additional retail outlets, the committee has emphasised that the marketing oil companies should take special note of the virgin areas with a potential for growth.

Another important suggestion of the committee is that a detailed field survey should be conducted by a specialist agency to determine accurately the demand for kerosene so that adequate distribution arrangements for this product could be made. The new distribution arrangements, the committee says, should ensure that kerosene is available in all parts of the country at the optimum cost and results in progressive reduction in the number of middlemen. Development of taluka kerosene depots has been suggested for this purpose. A clear demarcation of the respective responsibilities of the oil companies and state governments in regard to distribution of kerosene has also been recommended. For checking adultration, it has been suggested that the Essential Commodities Act and the Indian Petroleum Act should be amended.

distribution network

In the matter of award of dealerships and agencies for oil products, the committee has concluded that the system now in vogue is not ideally suited. Other things being equal, it has recommended, preference should be given to registered cooperative societies in the award of agencies. However, once this is done, they should be treated on par with any other private party and no favour need be shown to them particularly in dealing with consumer complaints, safety precautions and ensuring correct and timely deliveries and quality control. Cooperative societies, it has been further suggested, should cater to additional business and not replace the existing sale distribution channels excepting where an existing agency has to be terminated.

As regards liquefied petroleum gas (LPG), the committee feels that it would be better to fully satisfy the needs of cities and towns where its sale has been introduced, before entering new markets. A reduction in the consumer-cylinder ratio has been suggested to effect savings in the cost as also the special type of steel required for cylinders. The importance of developing, standardising and incorporating a pilfer-proof device in all the existing and new LPG cylinders has been emphasised. An immediate ban has been recommended on the production of lubricants and greases except by the organised sector directly controlled and supervised by the ministry of Petroleum.

* *

It is heartening to note that there is increasing realisation on the part of the union ministry of Finance that apart from the specific reasons for the uptrend in the prices of such essential commodities as edible oils, sugar, cotton, etc, which reversed in April last the declining trend in the wholesale prices index, a major factor contributing to the rise in the above index between April and early July has been the disproportionate increase in the money supply with the public vis-a-vis the availability of goods in the market. An indication of this fact was available last week during the call-attention discussions in the two houses of Parliament in which the Finance minister, Mr C. Subramaniam, revealed that he would soon have another conference with the officials of the Reserve Bank of India to find out what measures should be taken to contain money supply. Although the upward trend in the wholesale prices index has been arrested since early July and this index has been gone down slightly during the subsequent three weeks, the government is not complacent and feels that the danger of the re-emergence of inflationary trends in the economy still persists.

Mr Subramaniam, however, indicated that while the government felt it necessary to maintain financial discipline in the interest of containing the prices spiral, every effort would be made to cater for the legitimate requirements of credit for production purposes. A major factor in the expansion of money supply during the first three months of the current financial year, he added, was the large payments made for the record procurement of foodgrains. But it appears that still sufficient attention is not being paid to the complications that are being created on the money supply front in particular and the economy in general by the counterpat funds which have to be disbursed on account of the increased remittances by Indians abroad. Although the increased flow of foreign remittances, which along with the re-emergence, after about four years, of surpluses on trade account since February last, consequent upon a sharp decline in imports—particularly of foodgrains, fertilizers and metals—and significant growth in exports, has led to a steady rise in the foreign reserves of the country, is welcome from the balance of payments point of view, care, surely, has to be taken that correspondingly the supplies of essential commodities in the market are augmented expeditiously so that the price stability can be maintained.

national plan

Another important indication that has been given by the Finance minister is that the centre is evolving a national plan for production, supply and distribution of not only edible oils but also of various other essential commodities such as sugar, cotton and domestic fuel.

An important point that needs to be stressed in regard to the disturbing trend on the price front is that there appears to be insufficient appreciation of the high cost of bank credit for production as well as distribution purposes. Even though the cost of this credit at the production stage is not very high, its impact at the distribution level is by no means small.

With the rigorous control being exercised by the banking industry on the use of its credit for inventory build-up, surely there is a case for bringing down the cost of credit for the essential purposes of production as well as distribution so that the cumulative effect of the cost of bank credit in the price mark-up of industrial products to the consumer can be brought down to a reasonable level. Interestingly enough, the finance minister has observed that there is still a good deal of black money in operation in the economic system, which precisely was a reason for the decision of the government to take action under MISA against hoarders, profiteers and speculators in the past few weeks. This in itself should be an indication that it is not the bank credit which is being utilised for hoarding, profiteering and speculative purposes. The remedy of checking these tendencies, therefore, lies not in the keeping up of the cost of bank credit high, which undoubtedly has vitiated investments in legitimate production and trading activities, but elsewhere.

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AIR-INDIA

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Coir industry—problems and prospects

S. Krishna Aiyer

The author is Deputy Director, Kerala Planning Board, Trivandrum; he has traced, in this article, the history of development of the coir industry since 1960-61 and has come to the conclusion that it needs to be modernised if it is to retain its traditional foreign markets. Already, there has been considerable drop in the export of coir and coir products in quantity, though in value terms there has been substantial increase. The views expressed in this article are the author's own and not necessarily of the organisation to which he belongs.

THE PECULIAR facility for retting coconut husks that exists in abundance along the coastal regions has been responsible for the large-scale development of coir industry in Kerala. Annual export earnings for Kerala from coir goods are of the order of Rs 19 crores. The various processes starting with the collection and retting of coconut husks up to the spinning of yarn from the fibre are carried out mostly by small household units. This long chain of production is almost entirely unmechanised.

The coir industry provides employment to about 400,000 persons in Kerala in the various stages of manufacture of coir yarn and coir products. The majority of coir workers are absorbed in various processes of coir yarn manufacture such as retting, beating and spinning. An appreciable number of workers is also engaged in the manufacture of coir ropes, mats and mattings. Of the total number of workers, about 47 per cent are engaged in the spinning sector, 26 per cent in beating of husks and cleaning of fibre, 10 per cent in the retting sector, and the remaining 17 per cent in the manufacturing sector. About 90 per cent of the workers are engaged in hand spinning and 67 per cent in spindle spinning are women.

serious problem

Under-employment constitutes a serious problem in the industry. The majority of workers, except perhaps those in the organised manufacturing sector, live well below the poverty line. If the excess labour is absorbed in other industries or in other avenues of employment, the essential minimum of labour required for the industry will get fuller and more stable employment in the industry. Some of the under-employed can be absorbed in the fishing industry, the large-scale expansion of which is contemplated in the coming decade. New industries will have to be set up in those areas where this low-wage industry is widely prevalent.

With a view to make available to the workers the fruits of their labour, various programmes were undertaken during the successive five year Plans. Attempts were made to organise cooperative societies for bringing the means of production within the reach of actual workers, to free them from there clutches of middlemen, and to ensure steady employment at reasonable wages.

POINT OF VIEW

The Coir Development Scheme, the main objective of which was to organise workers into cooperatives and thereby ensure large volume of employment and better wages was introduced in the first five year Plan of the Travancore-Cochin state. The Coir Industry Act was passed in 1953 in order to tackle the problem on an all-India basis. Under this Act the Coir Board was set up at Ernakulam in 1954. The responsibility for the development of the industry and for the promotion of exports is vested in the Board. The main emphasis during the second Plan period was on the strengthening of the position of primary producers through the organisation of cooperative societies, by undertaking research and by assisting in the marketing of coir products both in and outside India. The Coir Development Scheme got further impetus from the recommendations of the Coir Enquiry Committeee appointed by government of India in 1960.

primary societies

In the third Plan period 165 coir primaries, 30 husk retting unions, two central coir marketing societies, 10 mats and matting societies, one rope manufacturing society, two bristle and mattress fibre manufacturing societies and one model coir factory were proposed in the state. The total outlay for these schemes was Rs 175 lakhs. One hundred and thirty nine primaries, 11 coir mats and matting societies, 19 husk retting unions, 2 bristle and mattress fibre manufacturing societies and a model coir factory were established during the plan period.

The programme for coir development during the fourth Plan period aimed at improving the existing levels of production techniques of coir products so that the volume of gainful employment relating to the industry may not fall. An outlay of three crores of rupees was provided in the state's fourth Plan for the Coir Development Schemes. The major schemes implemented during the fourth Plan period included the formation of the Kerala State coir corporation, loan and grant assistance to Coir Cooperatives and export promotion of coir products. The Coir Corporation started five depots to provide employment to workers engaged in the beach mats and beach yarn sector.

Since it would be a difficult task to plan effectively for the development of this unorganised industry, cooperation has been adopted as the best method of working it. The members of the primary societies are the actual owners of the products. The primary societies give the products to central marketing societies who sell them. There is no outright payment to the pirmaries by the central societies. The latter give an advance of 76 to 85 per cent of the existing market value to the primaries. The final account is settled only when the central societies dispose of the products.

Owing to shortage of working funds the central societies are not able to take over yarn from all the primaries. When the primary society itself is in need of working capital, it is forced to resort to distress selling which adversely affects the members. The working capital for societies is at present obtained as loan from the government. The state is not able to provide working capital to all societies and when repayments begin there is no arrangement for provision of fresh loans. There is therefore an imperative necessity for the coir societies to obtain institutional finance to replenish their funds. Bank would require a margin of 25 per cent for pledge advance and 40 per cent for hypothecation advance. If the societies are covered by the guarantee of the state government, the banks might agree to lower the margin and relax their rigid procedures. It is also necessary to augment paid-up share capital.

state loans

The state government loans to societies can well be converted into equity capital redeemable after a period of ten or fifteen years. Coir cooperatives have served two distinct purposes; viz. (i) the welfare aspect of enabling the workers to join the cooperatives and become self-employed persons taking their due position in the economy, and (ii) the industrial aspect of better utilization of the abundant raw material available and the promotion of improved methods.

The state government prepared a Rs 15.6 crore-plan for the re-organisation of the industry and forwarded it to the government of India for approval and financial assistance. The scheme envisaged the setting up of pilot project areas for coir in the different coir producing centres. The idea was to form coir cooperatives in these centres so that most of the workers could be brought into the cooperative fold. In this plan also the strengthening of the cooperative sector was suggested because it was considered that cooperatives would assure the maximum flow of benefits to the workers. The plan therefore aimed at organising 600 cooperatives (including revitalised cooperatives) and the physical targets for the five year development period were set as follows :

1st year	25 societies
2nd year	100 ,,
3rd year	300 ,,
4th year	100 ,,
5th year	75 ,,

benefits to workers

It was estimated that a society having 200 workers would require nearly Rs 1.8 lakhs towards working capital. Even if all the 600 societies were organised as envisaged in the Rs 15.6 crore plan, only about 50 per cent of coir workers, i.e. less than 200,000 could be brought in the cooperative fold. But with additional working capital the workers would have fuller employment. The wage level of the workers could be bettered as a result of the scheme so that the average wages per worker per day would be around Rs 3. Other aims of the scheme were construction of godowns, introduction of welfare measures, opening of an export house for coir and control of the price of husks. The scheme was examined by a study group appointed by the government of India headed by Mr. K.B. Rao, Adviser to Planning Commission. The following were the major recommendations of this committee :

(i) Market surveys should be conducted to explore the possibility of sale of coir products in different parts of India.

(ii) There should be arrangements with financial institutions for alternative or supplementary finance. Till institutional finance becomes available to a society, the government may continue to finance it.

(iii) The state may consider the possibility of converting the whole or a portion of its advances to coir cooperatives including central societies into equity, the shares so purchased being redeemable in easy instalments after 10 years.

(iv) Only competent and qualified hands may be appointed as secretaries of coir cooperatives.

(v) Cooperatives should be reorganised into viable units keeping in view the facility of retting arrangements so that each society becomes a self-contained unit.

(vi) In order to make the price of retted husk fully effective, it would be necessary to control the price of green or retted husk also.

(vii) Export duty of 25 per cent on both retted and unretted fibre exported from India should be abolished.

(viii) Export duty of 15 per cent on coir yarn should be reduced to 7½ per cent with immediate effect.

(ix) Quality control and preshipment inspection may be extended to all coir products such as mattings, rugs, carpets etc. to avoid the export of inferior qualities of coir products.

(x) An all out effort should be made by the government of India to negotiate and persuade the European Economic Community (EEC) to substantially reduce the present high import duties levied on imports from India.

The Planning Commission team suggested a reduced outlay of Rs 7 crores only (as against Rs 15.6 crores proposed by the state) for the comprehensive scheme of coir development in Kerala.

stiff competition

In recent years the industry is finding it hard to compete with the cheaper and more sophisticated products made out of natural and synthetic fibres. Still coir is preferred by consumers in several countries owing to its nutural qualities. This competitive edge can be maintained by technological improvements. Another important aspect to be considered from the Kerala angle is that in India itself there are other states where the industry can be developed on modern lines. This might lead to migration of the industry in course of time to other states as in the case of coconut oil industry and beedi industry. To prevent this, concerted efforts have to be made to modernise and develop the industry in Kerala. With this end in view a Master Plan for Coir Development has been drawn up by a Central Task Force on Coir. Implementation of this plan will help eliminate the middlemen and bring under the cooperative sector genuine coir workers. The highlights of this comprehensive development plan are the organisation of 600 primary cooperative societies, strengthening of the four marketing societies by providing liberal financial assistance in various forms, strengthening of the Kerala State Coir Corporation, and the creation of a central organisation for the purchase and retting of husks in the ten major project areas. The total cost of this plan is Rs 44.08 crores. The item-wise details are given in Table I.

The coir industry does not bring any revenue to the state except a small amount by way of sales tax. Hence it is only proper that the development plan for Rs 44.08 crores drawn up by the Central Task Force on Coir is financed by the centre. This development effort will help the coir societies become viable and thus enable them to attract institutional finance.

The total amount spent by the state for coir development during the earlier plan periods is Rs 642.62 lakhs as detailed in Table II.

cooperative fold

Up to the end of the fourth five year Plan period, it was possible to bring 125,000 coir workers into the cooperative fold. The fifth Plan aims at bringing at least 240,000 workers in the cooperative fold by organising 600 primary cooperative societies. As at the end of 1974-75, a total of 337 societies (which included 318 primary coir societies, 2 thondu (coconut husk) societies and 4 central coir marketing societies) were functioning in the state.

The coir area in the state has been divided into nine projects, each under the control of a project officer and into 42 inspectorates, each under the control of a cooperative inspector.

The coir cooperatives were not financed by the Reserve Bank of India for various reasons. This has been a drawback in the provision of credit to these cooperative societies. It has since been possible to get over this difficulty and institutional finance has been arranged for coir cooperatives from the year 1974-75. The governments has guaranteed repayment of loan advanced up to an aggregate amount of Rs 3 crores. The cooperative banks have sanctioned a total amount of Rs 1.49 crores to coir cooperatives. The institutional finance is expected to increase progressively over a period of year, as the societies switch over to bank finance according to the phased programme chalked out by the government.

The marketing societies which function as a federation of the primary societies render business support to them by purchasing and selling their products. These

TABLE I

Central Task Force Plan for Coir Industry—Scheme-wise Details

(Rs in lakhs)

Sl. No.	Name of scheme	Total cost
1.	Equity participation in primary societies	150
2.	Equity participation in marketing societies	40
3.	Working capital to primary societies	2160
4.	Interest subsidy	187
5.	Manufacturing sector—purchase of factories	220
6.	Manufacturing sector--working capital	330
7.	Godowns to primary societies	132
8.	Godowns to marketing societies	25
9.	Managerial assistance to primaries	122
10.	Managerial assistance to manufacturing units	14
11.	Welfare measures--non-recurring	16
12.	Welfare measures—recurring	12
13.	Strengthening the administrative organisation of coir development schemes	96
14.	Kerala State Coir Development Corporation	155
15.	Model coir factory	20
16.	Managerial training	5
17.	Opening of sales depots and showrooms (grant)	61
18.	Purchase of furniture for sales depots and showrooms	15
19.	Publicity, participation in trade fairs	15
20.	Price fluctuation fund	50
21.	Writing down capital	50
22.	Assistance to organised sector	10
23.	Central organisation for retting of husks	523
	Total	4408

TABLE II

Total Amount Spent by Kerala on Coir Development

(Rs in lakhs)

First Plan (1951-52 to 1955-56)	63.15
Second Plan (1956-57 to 1960-61)	81.45
Third Plan (1961-62 to 1965-66)	104·03
Annual Plan (1966-67)	22.33
Annual Plan (1967-68)	31.12
Annual Plan (1968-69)	28.24
Fourth Plan (1969-70 to 1973-74)	312.30
Total	642.62

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societies have therefore been financially strengthened to equip them to undertake their business. The government, besides providing share capital contribution to the marketing societies to strengthen their equity base, has also liberally helped them by providing interest subsidy, loan and grant for godown construction etc.

In accordance with the provisions of the Coir Retting (Licence) Order, 1968, issued by the government of India under the Essential Commodities Act of 1955, a system of licensing for retting cocount husks and controlling the price of retted husks has been introduced with effect from December 1, 1969. The Husk Control Order was passed in 1973. The prices of retted husks were fixed for different areas after taking in to account the variety of coir produced and the price at which green husks were normally available and also other charges for retting operation.

permit system

The state government in exercise of the powers under the Defence of India Rules, controls the movement of coir fibre by a system of permits. The absence of any provisions for the control, movement and sale of fibre in the Husk Control Order of 1973 has been a snag in the price control of husk. This has been plugged by the introduction of the Kerala Cocount Husk and Fibre (Regulation of Movement) Order 1975, and since the introduction of this order availability of fibre at reasonable prices has vastly improved. Notification of price under the statute itself may not help to maintain the price of husk. The primary societies were the only agency to procure husk till recently. With a view to improving the procurement of husk and ensuring the physical control of a sizeable quantity of husks, the State Coir Corporation and the marketing societies have been brought into the field.

Effective control of the movement of husk, its sale and enforced supply at notified prices have been brought under an intensive drive. The strengthening of the enforcement staff in January 1975 enabled the strict implementation of the Husk Control Order. The continued effort at seizure of husk retted without valid licences has curbed the tendency on the part of private retters to procure raw husk at higher rates. The mobile squad organised for this purpose with police personnel has also helped in the enforcement of the Husk Control Order.

Minimum wages in coir industry were notified twice before without success. The actual earnings of workers were far below the notified minimum wages. Therefore a new scheme of organisation of workers into production-cum-sale societies was undertaken from 1973-74. According to this scheme retted husks will be distributed to member workers for defibering and spinning into yarn. The workers who bring back the yarn will be paid the conversion rate, which would assure them the wage as per the notified minimum wages. Production has been started in societies where husk is getting ready for conversion into fibre. There has been improvement in wages paid to the workers in the private sector also, in sympathy with reasonable rates paid by the cooperatives. As the societies develop their production to peak level, the price of yarn is bound to come down, and stabilise at economic levels. This will be a positive contribution to export promotion. The long-awaited goal of ensuring minimum wages to the workers in the coir industry has been achieved to a great extent even at this early stage of implementation of this programme.

planned development

The Kerala State Coir Development Corporation started on July 11, 1969 is a fully government-owned company with an authorised capital of Rs 50 lakhs. In 1973-74 the authorised capital was fully paid up when the government contributed an additional share capital of Rs 21.50 lakhs. The corporation acts as manufacturer and exporter of coir mats, mattings, rugs, carpets and allied products. It is now functioning as an export house and has entered foreign markets. However the main functions of the corporation consists of carrying on the business of developing, promoting and stabilising the industry and carrying on the business of husk retting scheme.

With increased activities of the Coir Development Corporation, a problem that will emerge is the disposal of the coir products produced in excess of the present level. Continued emphasis will have to be laid on export promotion by the corporation. The large internal market still remains untapped. It is assential that the potential of the internal market is gauged and efforts made to sell the state's coir products within India. Such an effort will certainly help to overcome the peirodical slumps caused by the inadequate demand in foreign markets. The Coir Board has already opened 12 showroom-cum-sales depots in important cities in India. There are also 38 accredited deaers of the Board located in different places. But there are a number of towns inI ndia where coir products have yet to make an entry. This calls for an intensive drive to promote internal sales.

main problems

The main problems confronting the industry is the severe competition it has to face in international markets for its products. The total quantity of coir and coir products exported from the ports of Kerala has fallen by over 40 per cent during the period 1960-76. Figures also reveal that the total quantity has fallen from 64,782 tonnes to 37,284 tonnes over the period 1960-61 to 1975-76. But the value of the exported coir products has registered considerable increase over this period, viz. from Rs 8.55 crores to Rs 19.44 crores. (Table III)

Coir yarn constitutes 60 per cent of the total quantity of exports. It is followed by

TABLE III

Exports of Coir and Coir Products from the Ports of Kerala.

Year	Quantity (tonnes)	Value (Rs crores)
1960-61	64782	8.55
1965-66	63488	10.19
1966-67	62012	14.91
1967-68	61639	13.57
1968-69	55918	13.30
1969-70	55486	13.67
1970-71	52218	13.87
1971-72	52312	14.85
1972-73	49489	14.93
1973-74	46759	15.58
1974-75	41830	17.53
1975-76	37284	19.44

coir mats (20 per cent) and coir mattings, rugs and carpets (14 per cent). Indian coir yarn has a good reputation in the foreign markets. The recent fall in the yarn exports is due to the reduced intake by such countries as Burma, Portugal, the Netherlands and Hungary and also high cost of production. The intake of yarn by the manufacturing industry has declined by about 25 per cent over the quinquennium 1970-75. This is mainly due to the competition coir products are facing from the substitutes. The increasing trend in our export earnings despite the decrease in the quantum of foreign intake has been mainly due the operation of a floor price scheme in conjunction with quality control and pre-shipment inspection measures. The export of coir products such as mats, mattings, rugs and carpets to the USA, east Europe and the USSR improved during the last decade while the performance in the case of west European countries was not encouraging.

In the wake of the devaluation of the rupee some of the foreign customers were not prepared to buy Indian coir goods at predevaluation rates. Coir goods from India are unable to withstand competition in the European continent where they are manufactured on power looms at lower costs. The tastes and preferences of customers, especially foreign customers, are undergoing rapid changes. European tariffs on coir goods from India were also high ranging between 12 and 24 per cent in the Common Market countries. The burden is as high as 25 per cent in Australia.

The Techno-Economic Survey of Kerala (1961) has forecast that the main increase in demand for Indian coir goods in future is likely to accrue from the middle income group markets of the middle east. With the rise in the standards of living, lower income group countries in the far east are also likely to become important markets for Indian coir goods. What is vitally essential in order to retain old markets and to open up new ones is the diversification of products based on coir and improvement of the quality of the products. The German market, for example, prefers rubberised coir goods. All these underline the need for modernisation of at least the manufacturing sector.

The government of India and the Planning Commission have accepted in principle the need for the introduction of modern techniques in the industry. The industry

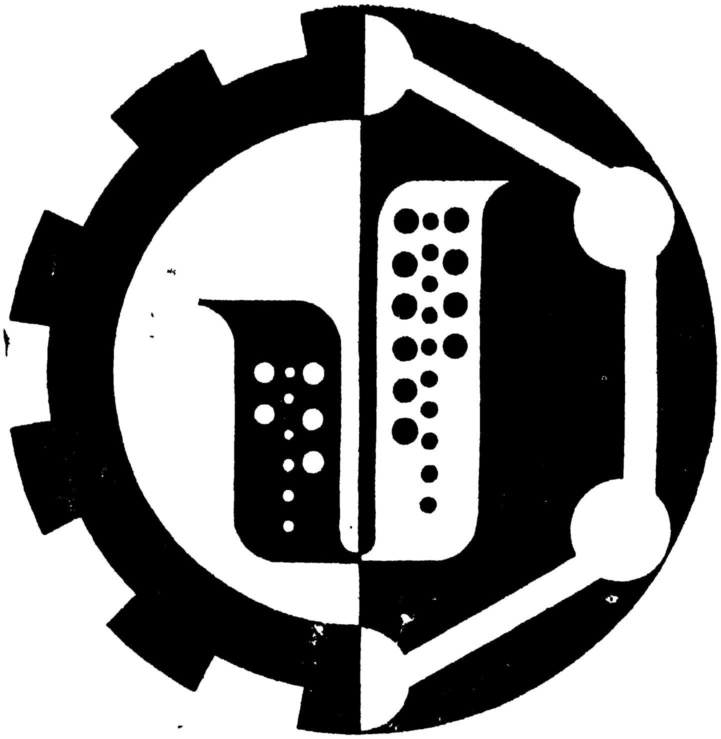
TABLE IV

Coir Exports from India During 1975-76

(Q = Quantity in tonnes)
(V = Value in Rs. lakhs)

Countries	Coir fibre		Coir yarn		Coir mats		Coir mattings		Other coir goods	
	Q	V	Q	V	Q	V	Q	V	Q	V
Bulgaria	100	2.15	—	—	—	—	—	—	534	10.40
Italy	45	1.34	1310	57.88	342	31.49	51	3.07	—	—
Yugoslavia	15	0.36	—	—	—	—	—	—	40	0.60
Belgium	—	—	1164	50.62	—	—	221	14.37	—	—
Burma	—	—	1693	70.80	—	—	—	—	—	—
France	—		4603	195.10	351	25.75	344	21.68	—	—
West Germany	—	—	1381	59.21	365	43.43	247	16.08	8	0.71
East Germany	—	—	1579	76.37	—	—	—	—	—	—
Kuwait	—	—	304	9.44	72	5.24	23	1.49	205	5.08
Morocco	—	—	190	8.26	—	—	—	—	—	—
Netherlands	—	—	2665	124.63	98	7.48	149	9.08	10	0.58
Portugal	—	—	456	21.02	—	—	—	—	—	—
USA	—	—	3004	131.47	765	54.39	636	46.93	—	—
Switzerland	—	—	550	24.32	—	—	—	—	—	—
Australia	—	—	—	—	785	49.04	124	6.94	8	0.74
UK	—	—	—	—	1890	157.46	249	14.28	100	8.26
USSR	—	—	—	—	654	44.38	—	—	2152	118.98
Others	106	3.09	4070	173.05	1966	143.82	1368	81.32	90	2.99
Total	266	6.94	22969	1002.19	7488	562.48	3412	215.23	3147	157.34

Grand Total **37284 Tonnes** **Valued at Rs 1935.20 lakhs**



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has been using mainly hand-operated looms for the manufacture of mats, mattings and carpets. The European factories are modernised and mechanised and have been successful in expanding their business. If the industry is to retain to the foreign markets it should be capable of producing coir goods which can compete with those produced by the European factories. The gradual modernisation of the industry therefore becomes a necessity. However, care will have to be taken to see that modernisation of the industry does not result in labour-displacement.

Towards self-reliance

L. V. Korneev

Reviewing the progress of Indo-Soviet cooperation since 1956, the author has underlined the importance of attaining self-sufficiency in the development of industry in this country. He has also listed the various achievements which the public sector undertakings have made in collaboration with Russian enterprises.

THE ATTAINING of independence is not an act which can be completed by signing documents giving a certain nation the rights of sovereignty. Really this act only starts the most important part of this process – winning of economic independence. And only after accomplishing this task a really independent nation is born, but it must not stop here – the economic independence must be strengthened so as to make the nation mighty and prosperous.

India in its struggle for economic independence has made significant progress. Proclaiming the attainment of "self-sufficiency" as India's major economic goal, its leaders have put a special accent on the development of the public sector. And here the USSR, having the greatest experience in the world in the creation and running of government-owned enterprises, has extended to India its fullest support.

heavy industry

The first project of Indo-Soviet economic cooperation was the giant Bhilai steel plant which became the backbone of Indian metallurgy. Now about 50 projects, including Bhilai and Bokaro steel plants, (1) Bharat Heavy Electricals Ltd. (BHEL) Hardwar, (2) Heavy Engineering Corporation Ltd. (HEC) (3) Mining & Allied Machinery Corporation Ltd. (MMAC) (4) Oil & Natural Gas Commission (ONGC) (5) Bharat Aluminium Co Ltd. (BALCO) refineries at Barauni and Koyali, Kota instrumentation plant, a dozen power stations, etc are the result of Indo-Soviet economic cooperation. Nowadays these plants are the sheet-anchor of India's economy. Take the case of the iron and steel industry. In 1955-56, the first year of Indo-Soviet economic cooperation, India had to import about 40 per cent of iron and steel needed for the development of its economy. At present India not only fully provides all its requirements of steel products but is also a major exporter of iron and steel.

export of steel

The Bhilai steel plant has already fulfiled the export order of 30,000 tonnes of rails to Egypt and has started the execution of another export order – the supply of 12,000 tonnes of 25-metre rails for South Korea. Only recently, this plant started substantial export of pig iron to the USSR. According to Mr S.R. Jain, General Manager of the plant, in the first quarter of the current financial year, the plant exported 310,000 tonnes of steel products to different countries.

These export orders were won in competition with the European and Japanse steel producers showing that Indian metallurgy is becoming more and more competent in all spheres of steel production and can face any challenge from the leading steel producing countries in the world.

A few weeks ago, an Indian delegation headed by the secretary of the ministry of Steel, Mr Wadud Khan, visited the USSR and had a round of talks with Soviet officials. As a result of these discussions, several new, highly modern technological processes are to be adopted in India for further expansion of Bhilai and Bokaro steel plants,

Besides ferrous metaullurgical products, India is rapidly increasing its export of non-ferrous metals. Among major exports of these metals, aluminium occupies an important place. The aluminium plant in Korba is being set up with the cooperation of V/O "Tsvetmetpromexport" of the USSR. Its first 25,000 tonne smelter was commissioned in May 1975 and it started commercial production in June 1975. Since then it has produced about 22,000 tonnes of aluminium out of which 5,000 tonnes were exported to Japan.

The construction of a modern metallurgical plant needs sophisticated equipment. For this purpose, heavy machine-building plants (among which a significant position is held by BHEL, Hardwar and HEC) were set up with Soviet cooperation, they not only drastically reduced foreign components in machines and equipment needed for Bhilai, Bokaro and Korba but made India an exporter of metallurgical equipment.

search for oil

Again to lessen India's dependence on crude oil imports, the ONGC was set up in 1956 and developed with Soviet cooperation. At present the ONGC is a large and cohesive organisation with over 250,000 employees and 1,500 technical experts. It possesses 59 deep drilling rigs, out of which 24 were supplied by the USSR under various credit arrangements. More than 1,000 Soviet experts have visited India to impart training and provide technical guidance to the ONGC technicians. Now the ONGC is capable of substantially increasing production of crude oil and prospecting for oil not only in India but also in Iran and west Asian countries. And there is a strong hope that during the next few years, India will cease to be dependent on crude oil imports, thus saving crores of rupees in foreign exchange.

Stemming the exodus

Henry R. Cassler

The urban population all over the world is increasing at a fast rate because of the population explosion and migration from the countryside. The author suggests extension of employment opportunities in the rural areas not in white collar jobs but in agriculture and rural crafts and industries.

WINDOW ON THE WORLD

TWENTY-FIVE years ago there were 16 cities in the developing countries with populations of one million or more. Today there are 60 and there may be more than 200 by the turn of the century.

How has this happened? The International Labour Organisation (ILO) places equal blame on population explosion and migration from the countryside.

Discouraged and frustrated, many children in rural areas of developing countries are being forced to discontinue their education after primary school because of low grades. Joining the ranks of the voluntary and involuntary dropouts, these children already consider themselves failures.

However, the failure is not in the children or their families, but in a school system which raises unrealistic expectations of city employment and government positions, yet fails to promote those attitudes and qualifications needed to make a living by working the land.

It would, however, be unfair to blame the schools for something they were never set up to do. Compulsory schooling in the countries of the west (which set the pattern for developing countries) did not arise from the needs of rural development. Rather it served to destroy traditional rural society and to build up the kind of labour force required by industry, and by the modern state. Hence it is futile to expect schools to promote employment, greater productivity and well-being in rural areas through concentration on agriculture. Their contribution to rural improvement is largely limited to developing those skills and attitudes suited to industrialised and commercialised agricultural enterprises, to the growth of non-agricultural activities in rural areas, or to migration toward employment elsewhere.

Nor is it the purpose of primary schooling to prepare pupils for direct employment. Its objectives are long-range: the provision of basic capacities designed to last a lifetime. Yet the needs of employment are short-range and constantly changing inevitably there is a mismatch between educational aims and the immediate demands of employment.

Peasant families are well aware of this contradiction. In Ghana's upper region, for example, where traditional agriculture is the main-stay of the family, numerous schools have been closed because parents keep their children home to work on the land, convinced that education will alienate and uproot them. Other parents of the same region, however, with insufficient land to provide a livelihood for all their children, clamour for schooling. They hope the children will qualify for white-collar jobs in the city.

It is a sad story of rising but frustrated expectations. Education that contains no training for the kind of work likely to be available causes great anguish. An ILO report to the government of Kenya summarises it like this: "Those who succeeded within the school system obtain the certificates and the good jobs...or did at first. But as education expanded rapidly....thousands of young Kenyans are beginning to find their certificates almost worthless for obtaining jobs. This is the background to frustration among school leavers and their families".

The complicating factor is that efforts to "ruralise" the school or to stress manual qualifications in the curriculum are no more than palliatives for they clash with an elitist scholastic system designed for other values or attainments. Moreover changes in educational systems take a generation or so to bring about, while manpower needs are immediate and short-range. From the point of view of direct benefit to employment, primary school seems to give the wrong education to the wrong age group.

brunt of idleness

The issue is dramatic. More than two-thirds of the people live in rural areas and their number is growing as population expands, despite increasing migration. Unless there are more opportunities for gainful employment in agriculture, and secondarily in crafts and rural industries, misery and social cleavage will deepen in the villages and the slums will devour the cities. The brunt of idleness, or of aspiration toward the "wrong" kind of employment, is borne by young people. To brand them "failures" is to destroy their ambition and to sap the strength of the nation. Without the right kind of education for the right kind of attitudes and skills, the road ahead is dark and troubled.

Although the "right kind of education" will not by itself bring about the "right" society, education remains an essential component of socio-economic policies. Clearly something is needed between a useless formal system and simply leaving things as they are where people "learn by just living." At a recent ILO meeting of experts on workers' education in rural areas stressed, far more research, experimentation and forceful action is required to develop new approaches to non-formal, employment-oriented rural education.

What is needed is flexible educational resources which focus on the productive portion of the population (whether schooled or not) and may respond to manpower projections which only hold true for three year or so. Agriculture, far from offering longer employment perspectives, is subject to heavy fluctuations of markets and climatic conditions and may require the preparation of rural workers for new tasks in as little as a year or even a month. Education and training should be able to move in where the pressure is greatest and give the learner suitable education at the appropriate place and time. In short we need a mix between what might be called educational fire brigades and self-service opportunities.

Any hope that new institutions, such as vocational schools or rural polytechnics, will best match or complement on a massive scale the relatively well financed formal school system is unrealistic for they lack sufficient finance, teaching staff and facilities. Out-of-school education with an employment punch should rely on more readily available structures which may be expanded or refocused with less effort and more hope of success: the field services of ministries of Agriculture, Health and Social Welfare, the various media of communication, and the organisations of rural workers and cooperatives.

One example can be seen in Senegal where the Administration for Rural Development (SODEVA), whose agents cannot regularly reach all the villages, and the Rural Educational Radio which backs field staff to organise receptions and feedback, have pooled their efforts not only to help peasants improve and diversify their farming but also to establish a frank forum for public dialogue between villagers and authorities. The voice of the peasants now can make sure they get the practical information and advice they need: What are the rights of a cooperator? How should the peasant prepare products for the market and assure that his bags are weighed correctly and he gets a fair price? Where can the village turn for assistance to dig a wall?

Organisations of rural workers and cooperatives take initiatives to assure schooling for members' children (as in Malaysia and the Philippines), set up training programmes for their own staff, and demand the kind of education which improves the skills of farmers and helps them to defend their interests. Functional literacy programmes give support to such efforts. Literacy is needed to run organisations or cooperatives or to engage in operations required by modern commercialised agriculture.

Joint action by forces which are already influential in rural areas can create effective educational programmes with sufficient scope and flexibility to meet the vast and ever-changing rural employment needs. They can respond constructively to the problems faced by rural youth and adult farmers if they foster dialogue and interaction with the villagers and keep attuned to their needs and aspirations. And they may in turn exert a refreshing influence on the formal educational system itself, influencing parents to accept schooling which leads to rural employment rather than to the cities, and providing new educational resources on which schools may draw to give a realistic focus to their efforts.

Growth of world energy economy : 1950-74

In this study by the United Nations a global view has been taken of the growth of the use of energy. It shows that the world's major consumers of energy are the USA, the USSR, China and Japan. In recent years, nuclear power has gained in importance though its total share in electricity production continues to be small. It also highlights the new trends in the decline in the use of solid fuels and their replacement by liquid petroleum fuels and natural gas.

THERE HAS been a sustained and dramatic increase in the global production, trade and consumption of commercial energy, particularly in petroleum products, natural gas and electricity, between 1950 and 1974. During this period, according to a new United Nations study,* total production and consumption of energy increased three times, at an average annual growth rate of five per cent. Consumption of natural gas increased seven times while that of petroleum products and primary electricity rose five-fold.

Among the salient facts thrown up by the study are:

—Between 1950 and 1974, per capita consumption of energy worldwide and in Developed Market Economies doubled, while that of Developing Market and Centrally Planned Economies tripled. The per capita level of consumption in Developed Economies as a group was 16 times that of Developing Economies in 1974.

Developing Market countries, with close to one-half of the world's population consumed less than one-tenth of total commercial energy.

—The United States, with five per cent of the world's population, consumed 30 per cent of the world's commercial energy in 1974, compared with 45 per cent in 1950. Its gasolene consumption per capita was nine times greater than the world average.

—The USSR, the world's second largest consumer of commercial energy, increased its share of consumption from 11.5 per cent in 1950 to 16.6 per cent in 1974. It became the world's leading producer of crude petroleum in 1975 and the share of liquid and gaseous fuels combined in its total domestic supply increased from one-fifth in 1950 to close to two-thirds by 1974.

—China, the third largest consumer of

World Energy Supplies, 1950-74: Statistical Papers, Series J, No 19900; Sales No. E 76 XVII, clothbound, $US 38,00; paperbound, $US 38.00 (or equivalent in other currencies) commercial energy in the world, is still primarily oriented towards solid fuels, although the liquid fuel sector is growing in importance.

—Japan, the world's fourth largest consumer of total energy, continues to be a leading importer of crude petroleum and solid fuels, as well as the leading fuel bunkering nation.

According to the report, world production of crude petroleum reached 2,791 million metric tons (MMT) in 1974, a growth rate of 0.5 per cent over the 1973 level comparing with an annual average increase of 7.3 per cent for the period 1950-74.

This decline in growth rate from 1973-74 is attributable to the drop in production in Algeria, Argentina, Australia, Brunei, Canada, Colombia, Ecuador, Iraq, Kuwait, Libya, Oman, Qatar, the USA, and Venezuela giving a combined reduced production of 113 million metric tons (MMT). Increased production levels for 1974 over 1973 are reported for Gabon, Indonesia, Iran, Mexico, Nigeria, Romania, Saudi Arabia, United Arab Emirates, and the USSR, a combined increase of 109 MMT.

offshore oil

Offshore production of oil has grown dramatically. In 1974 it represented 17 per cent of the total crude petroleum produced in the world.

In 1950, 53 countries were producing petroleum. Since then, the following countries and areas have commenced commercial production of crude petroleum.

Israel (1955); German DR (1956); Nigeria (1957) ; Gabon (1959) ; Thailand (1960); Congo and Libyan Arab Republic (1961); Abu Dhabi and Bolivia (1962): Australia (1964); Tunisia (1966); Oman (1967); Syrian Arab Republic (1968); Dubai (1969); New Zealand (1970) ; Norway (1971); Denmark (1972); Sharjah (1974) and Zaire (1975).

There has been a vast expansion of production in the Middle East and Africa accounting for 48 per cent of world crude petroleum output in 1974 compared with 17 per cent in 1950. Production in Africa more than doubled from 107 MMT in 1965 to 267 MMT in 1974, an average annual increase of 10.7 per cent.

The increasing demand for crude petroleum as a basic fuel is reflected in an average annual increase in exports of 10.5 per cent for the 1950-74 period. However, in 1974, world exports declined 2.2 per cent from the 1973 world record export of 1,574 MMT. The world total exports of crude petroleum and major petroleum products combined, reached 1,916 MMT in 1974. This was an annual average increase of 8.8 per cent from the 1950 combined export figure of 252 MMT.

decrease in crude exports

With the decrease in crude petroleum exports from the Libyan Arab Republic, Nigeria, with an impressive 111 per cent increase in exports since 1970 joins the list of the top five crude exporters of the last six years, Saudi Arabia, Iran, Kuwait and Venezuela are the others. The figures in parenthesis after the following countries denote the percentage of the world total imports each country received for 1950, 1962 and 1974 respectively:

Japan (0.9, 8.4, 15.6), USA (17.9, 12.0, 11.3), France (10.2, 7.8, 8.5), Italy (3.8, 8.6, 7.8), UK (6.8, 11.2, 7.4), Germany FR (1.6, 7.0, 6.8), Netherlands (3.7, 4.7, 4.2), Spain (1.1, 2.0, 2.9), Canada (8.2, 4.0, 2.7), Netherlands Antilles (30.4, 8.6, 2.7), Brazil (—, 2.1, 2.1), Belgium (—, 1.8, 2.0).

The top twelve importers of 1950, 1962 and 1974 imported collectively 85 per cent, 78 per cent and 74 per cent of the world total respectively.

In the last 25 years, 53 countries built their first petroleum refineries. Of these, 20 were in Africa, 13 in South and Central America, 8 in the Far East, 5 in the Middle East, 5 in Europe and 2 in Oceania. Nine countries had their first refineries in the period 1950-59, 38 in the period 1960-69, and 6 in the period 1970-75. The most recent refineries to commence operations were in Martinique (1971); Cyprus (1972); Dominican Republic and Zambia (1973).

Outside China and the Soviet Union, world petroleum refining capacity reached a record figure of 3,405 MMT in 1974, a five per cent increase over 1973.

At present some 62 countries and areas in the world produce natural gas. The percentage share of natural gas in the world's overall total energy consumption has been gradually increasing. In 1950 it fulfilled 9.8 per cent of global energy demands. In 1974 it met 20.9 per cent of the world's requirements, compared with 44.8 per cent for liquid fuels and 31.7 per cent for solid fuels.

In 1974 the Developed Market Economies consumed 67.3 per cent of the world's total consumption compared with 25.3 per cent for the Centrally Planned Economies of Europe and 7.2 per cent by developing countries.

The world's exports of natural gas from 1950 to 1974 have increased at the average annual rate of 22.5 per cent. This has been the highest rate of growth of all primary energy sources traded. The 1974 world exports increased 19.5 per cent over 1973 and in 1973 the increase was 19.6 per cent over 1972. Four countries, Netherlands, Canada, the USSR and Iran exported 85 per cent of the world's total 110.8 thousand million cubic metres. The six major importers of natural gas in 1974 were the USA, German FR, the USSR, France, Belgium and Japan who imported 82 per cent of the total world figure of 110.5 thousand cubic metres.

consumption of electricity

World consumption of electricity in 1974 was 6,246 thousand million kilowatt-hours. This was an increase of 2.8 per cent over the previous year. The average annual growth rate of electricity from 1950 to 1974 was 8.1 per cent with the developed countries averaging 7.4 per cent and the developing countries, 10.3 per cent. The per capita consumption for the developing countries in 1974 was 260 kilowatt-hours, contrasting with 5,712 kilowatt-hours for the developed countries and 1,613 kilowatt-hours for the world as a whole.

The top six per capita consumers of 1950, Norway, Canada, Sweden, the USA, New Zealand and German FR have not changed their positions in the last 25 years. In 1974 per capita consumption for Norway was 17,829 kilowatt-hours; for Canada 11,833: Sweden 9,566, the USA 9,344; New Zealand 6,063 and Germany

Onward march

S. P. Chopra

THE STRESSES and strains which our economy has experienced in the past 29 years, have not in anyway stood in the way of our onward march. At times, our pace of moving ahead may have been slaved down somewhat but taking an overall view, every Indian can rightly take pride in the progress that our country has made in about three decades after the attainment of Independence. Our per capita Gross National Product in 1975 at $159 was significantly higher than that of Pakistan at $143, Burma at $104, Bangladesh at $93 and Afghanistan at $41. In this sub-continent, our country alone has an encouraging record of economic growth with accent on providing relief to the downtrodden and the underprivileged.

During the past year, the attempts of the government to hold the price line have met with success with minor aberrations. Production in agriculture and industry has also taken rapid strides. Encouraging trends have been recorded in foreign trade with exports exceeding imports for four consecutive months. Foreign exchange reserves are growing, thanks to the increased inflow of incomes and savings of Indians living abroad.

But efforts in regard to increasing our exports need to be further intensified. In this supplement, two leading industrialists, Mr K.N. Modi and Mr Raunaq Singh, have listed certain suggestions for the consideration of the government. Drawing upon their recent experiences, they have pointed to the various measures which need to be taken to maintain the present tempo in exports. It is well-known that in 1975-76, sugar was our largest earner of foreign exchange but earnings in the current financial year are likely to be somewhat reduced because of a decline in sugar output. How sugar can continue to be a big support to our capacity for earning foreign exchange through exports, has been explained by Mr Madhava Prasad, President, Indian Sugar Mills Association, in his article "Sugar: Increased output for rising exports". Mr Prasad is right when he says that exportable surpluses of sugar will emerge only after production is increased which, in turn, needs relief in excise duty on the same lines as in the sugar season two years ago. In a small way, the refrigeration industry has also contributed its share to our exports but currently it is an industry in distress which cannot get out of the mire without government's assistance. Mr Virendra P. Punj, chief executive of Fedders Lloyd Corpn., has pleaded for a reduction in excise duty whose, excessive burden, in his view, has crippled this industry.

The public sector undertakings which were once a drag on the economy, have now started generating resources for their own expansion. The oil industry — exploration and refining including allied activities — has grown in dimension and has brought about a large measure of self-reliance. Dr M.S. Nadkarni, in a masterly review of the oil scene in this country, has pointed to increased utilisation of nuclear and oil-fired power plants with oil and gas being reserved for transportation and for the manufacture of fertilizers, drugs and synthetic drugs. While Mr K.C. Sharma, chairman and managing director of the Fertilizer Corporation of India, has focussed attention on the schemes for expansion of the fertilizer units, Mr M.S. Raju, manager (exports, public relations and publicity) has discussed the attainments of the Indian Telephone Industries Ltd in Research & Development and exports.

The chief ministers of Karnataka and Rajasthan have narrated the thrilling experience of bringing about far-reaching changes in land reforms, housing, agriculture, irrigation etc while the chief councillor of Delhi has discussed the heartening success of the family planning programme.

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Export strategy for growth

K. N. Modi

Heading a big industrial house, the author has acquired over the years rare expertise in the management of industrial ventures. In this article, he has explained the various measures which need to be taken for increasing our exports. Generation of surpluses for export, modernisation of plants, allowing the establishment of large-sized units, promotion of joint ventures abroad the establishment of consortia for assisting the small-scale industries, provision of transport facilities, encouragement of import substitution—these are some of the ideas thrown up by him.

IT HAS always been an objective of planning in this country to make the economy self-reliant so that exports may be able to pay for imports of industrial inputs, capital goods and services, and also may be in a position to service the foreign debts. As a result of various policy measures taken by the government during the last one year, foreign exchange reserves have reached the record high level and in the last few months, there is a declining trend in the trade gap. But as the Economic Survey has rightly stated that "notwithstanding the relatively satisfactory reserve position in the short run, the medium term outlook for balance of payments continues to be one of uncertainty".

Maintenance Import

As we have to increase the rate of investment and industrial production, the demand for maintenance imports and capital goods for setting up new capacities will definitely rise in spite of the fact that larger volume of goods are being produced. The burden of servicing the external debt is also increasing but foreign aid prospects are uncertain. The increase in crude oil prices is also an uncertain factor. Therefore, it is vital to increase our exports. We must aim to balance our trade in the shortest possible period and gradually also the balance of payments.

In order to achieve self-reliance in external balance, it is necessary that our exports should rise at least 10 to 12 per cent per annum in real terms i.e. at constant prices and the rate of increase in imports should be brought down to the minimum possible level. This will be possible only when deliberate efforts are made to expand exports which to a great extent depend on cost, quality, exportable surpluses, transport facilities such as shipping and ports and cargo services and marketing arrangements which include not only salesmanship and advertising and sales promotion but also trade agreements and Common Market arrangements. The larger inflow of invisible funds through expansion of tourist trade and repatriation of funds from Indians serving abroad also plays an important role and can be a good source of foreign exchange earning which has been very well demonstrated after the declaration of emergency.

During the last two years, our exports have shown very encouraging growth rates of 31 per cent in 1974-75 and 16 per cent in 1975-76 on the basis of current prices. There has also been greater export of consultancy services and capital goods, but still much remains to be done to make our economy self-reliant in foreign trade for which points detailed here need special attention.

Increase in production of export-oriented industries: In our export efforts one of the biggest constraint has always been the shortages and lack of exportable surpluses. This is particularly true for agricultural products and agriculture-based manufacturers goods. In our exports directly and indirectly agricultural products such as tea and other plantation products, jute, cotton and cotton textiles, sugar, oilseeds, vegetable oils and cake, fruits and vegetables play a major role. The world markets for these agricultural commodities though uncertain (and there are wide fluctuations in their prices) offer good scope for earning substantial amount of foreign exchange. When we could increase sugar production during 1973-74 and 1974-75, there was a sharp increase in the export of sugar. In the case of a number of commodities such as cashew, coffee, cotton, basmati rice, vegetable oils etc. we could not increase our exports to the desired extent as we could not have enough exportable surpluses. Therefore, one of the most important requirements is to increase the production of export-oriented agricultural products by having crash programmes for the selected items which play an important role in this regard.

There are also a number of labour-intensive products such as cotton textiles, ready-made garments, handicrafts, jems and jewellery, electronic products, footwear and sports goods which also offer very good export prospects because of cost advantage. But again one of the most serious difficulties is lack of exportable surplus specially for the types of products which are demanded abroad. Therefore, there is a need for encouraging expansion in capacities both in the existing units by establishing modern export-oriented units.

Fish and fish products, fruits and vegetables and other marine products (refrigerated, canned and packed) also offer very good prospects provided we produce enough in the way they are required in sophisticated markets.

Major Requirements

Modernise export-oriented industries: For expanding exports besides adequate supplies, two other major requirements are that our cost of production should be competitive and the quality should be of the international standard. This will be possible only when our major export industries such as jute and cotton textiles, sugar, footwear, castings etc. are rendered automatic and are modernised. For modernisation of industry there are a number of hurdles amongst which financial, import and industrial policies are the most formidable ones. Various studies have been made to estimate the requirements of funds for the modernisation of such industries as sugar, jute and cotton textiles. But adequate funds could not be made available and hence we could not achieve our objective and

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Record Irrigation—Bumper Food Production
* Highest ever irrigation potential of 5.78 lakh additional hectares achieved.
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* All industrial units to get power by the end of the current year.

New Dimensions of Industrial Development
* 59 "Industrial estates" provided with basic amenities. New Industrial units with a capital investment of Rs. 1,100 crores to be set up.
* A big industrial state, comprising 10,000 small-scale industries is being set up at Okhala, Distt. Bulandshahr.
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* 44,000 class I-V students given books free of cost.
* Prices of school & college books reduced by 20-30%
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* Essential goods made available at wholesale rates to educational institutions in 21 big cities.

Protecting Consumers' Interests
* Prices of essential goods reduced by 10-40%.
* Strict watch kept on price trends.
* Fair price shops number 23,606; 18,048 in rural areas alone.
* 1979 dubious shops cancelled.
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Training for Better Tomorrows
* 10,902 apprenticeship seats located in 4273 establishments; 10,364 utilised.
* Vigorous implementation of workers' participation in management already undertaken in 153 out of 160 units.

Promoting Family Planning
* 55,000 sterilizations in March '76 only.
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more and more units became sick. For modernisation, problem is not that funds should be made available but that they should be made available at cheap rates of interest for long enough periods, considering the cash flow of the units. Further, schemes should be drawn up in such a way that modernisation may be completed in five years.

The paucity of foreign exchange has been another big constraint. The import of all machinery and equipment which are not manufactured in India or for which delivery period is too long should be permitted. There is a good market abroad for cotton yarn if automatic coners are speedily made available. Similarly, there are other industries if they are modernised can increase exports substantially. Additional earning of foreign exchange will be far more than the additional out go.

Increasing Productivity

Modernisation and automation mean increasing productivity per man and machine and bringing down the cost of production. This also results in reduction of manpower needs. In order to avoid the retrenchment of the persons who become surplus as a result of modernisation and automation the government should allow simultaneous expansion by about 25 per cent of the export-oriented industries whether they are in small, medium or large scale sector or whether they belong to large houses, then modernisation can be achieved without rerenchment.

Allow large-sized units for export industries: In foreign markets we have to compete on equal terms with highly industrialised countries and with new units having large capacity established even in the developing countries. These large-sized units have a much lower cost of production as compared to our units and in certain cases their quality is also better. India can increase its exports in a big way of manufactured products if in a few selected industries with vast export-potential optimum-size units are allowed to be established and liberal financial support and assistance is made available to set them up. For such units debt-equity ratio should be considerably liberalised and the promoters' share should be brought down from 17-20 per cent to 8-10 per cent.

Joint Ventures

Encourage Larger Exports of Capital Goods and Services through Joint Ventures : Indian machinery specially textiles, sugar, cement and paper has established its name in South-East Asia, West Asia and the African countries. There is export potential for these and other Indian machinery if we give greater encouragement to joint ventures. Till the end of March, 1976, only 66 Indian Industrial joint ventures went into production generating the exports of about Rs 32 crores. It is understood that many more joint ventures are under implementation which may bring in foreign exchange to the tune of Rs 18 crores. The joint ventures help not only in the export of machinery, but they also result in invisible exports of consultancy services, civil engineering work and they generate income by way of management fees, dividends etc. Joint ventures which have already gone into production have earned Rs 4 to 5 crores to the nation by way of dividends, know-how and other fees. The joint ventures also help in the creation of demand of some of the inputs which are not available in the countries where these ventures are established. Therefore, all-out efforts need to be made to encourage such ventures.

The government no doubt has made certain concessions for the encouragement of joint ventures by allowing some amount of foreign exchange to be repatriated in cash but there is need for further liberalisation so that Indian businessmen may be in a position to compete on equal terms with their western counterparts. It is also necessary that pre-shipment and post-shipment credits should be made available more easily and on similar terms and conditions as is being made available by the Export-Import Bank and other agencies in Japan, the USA and other industrialised countries.

Indian services with regard to project preparation, design engineering, construction, erection, commissioning, management and running of plants are much cheaper than what can be offered by the industrialised countries because of cheap labour in India. Already a good name has been made by our country in providing consultancy services and civil engineering work. There is a need to give much bigger push in their export by having increased contacts with third countries and exploring possibilities of getting sub contracts. There is need to have constant touch with other capital-exporting countries so that consultancy, civil engineering and construction work may be obtained by our firms either directly or through sub contracts. There is also need to further liberalise the tax rules for Indian technicians who have to stay in foreign countries to provide these

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services. It is necessary that Indian firms should open more offices abroad. It is also possible to increase our exports through establishing close relations with trading houses of foreign countries such as the trading companies of Japan.

Exports of small scale sector: There is a very big demand of a number of products manufactured in the small-sector such as components of machinery, footwear, sewing machine parts. bicycle products, handicrafts etc. However, in the case of many of these products demand in the USA and Japan is of a large magnitude which is not possible to be met by the small manufacturers on their own.

Export houses and state trading corporations to a certain extent are doing the job of consortia but as yet their impact has been limited. The foreign buyers want that there should be some organisation which should be in a position to offer in bulk products of the small-scale sector and ensure quality and timely supplies. For this it is necessary that consortia of small exporters in specific industries may be established. The export houses should also take much greater responsibility and interest in expanding the exports of products manufactured in the small-scale sector.

Transport Facilities: During the last few years there has been considerable improvement in shipping facilities, port facilities, liner services and cargo capacities, but still these services are not adequate and in some cases are not as good as the ones enjoyed by our competitors. In the case of the bulk items such as iron ore and other mineral products and items requiring container facilities, the shipping facilities are not adequate.

Recently there has been a boost in the export of fashion goods such as ready made garments, handicrafts and other light weight consumer products. As these are fashion goods, they must reach the market in

Delhi's Achievements in the Year of Fulfilment

Decline in Prices

Price rise arrested; negative rate of inflation achieved; model Public distribution set-up; people's cloth being sold through 253 coops, and 21,000 Fair Price Shops in urban and rural areas.

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4136 acres of agricultural land distributed to 4538 Harijan and poor landless families. 8000 house sites distributed to poor and Harijan homeless. Rs. 18 lakhs distributed to Harijans, as housing subsidy.

Apprenticeship

3529 youngmen placed as apprentices in industries as against the target of 3500.

Public enemies on the run

2259 raids on dishonest traders. Suppressed transactions of Rs. 16 crores detected. 14,000 raids against hoarders, black-marketeers.

Relief for Students

Book banks in 853 schools, stationery at cheaper rates; hostel food costs less; 12 point programme for school improvement. Free text books to all primary students. Rs. 8 lakhs spent in providing school uniforms to the poor students.

Production Picks up

600 Industrial sheds constructed. Rs. 3.5 crores distributed as loan to industries. Vegetable cultivation increased from 16.20 thousand hectares in 1972 to 19.72 thousand hectares in 1976. Multiple cropping popularised. Marginal farmers and labourers' Development Agency helping the weakest farmers.

Beautification

City area has a new look. Jama Masjid complex re-developed-beautified. Subzi Mandi shifted to Azad Pur, 200 non-conforming industries shifted to the conforming area. 20 Resettlement colonies, with 50,000 plots having basic amenities, set up. New hopes of better life and opportunities for the poor and the weakest. To make Delhi greener the Development Department is planting 2½ lakhs trees whereas 1 lakh more are being planted by Delhi Schools.

Rural Development

50 villages to benefit from integrated programme under cleanliness, Prohibition and Family Planning in the first quarter of 1976-77. All villages to come under its ambit by the end of 1976-77.

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Against the national average of 16.1 percent, Delhi has covered 41.3 percent couples in the procreative age-group. This percentage is higher than the Fifth Plan Target of 38 percent.

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time, otherwise they become obsolete. But as yet their exports do not find ready air cargo space and at times there is long waiting. In order to boost exports of light weight fashion goods Air India should charter more space for lifting larger quantities of exportable goods and other international airlines should also be persuaded to reserve increased cargo space for Indian goods.

Export obligation on multinational corporations functioning in India: The Government of India while issuing industrial licences, has put export obligations on new enterprises which vary from industry to industry. However, there is no such obligation or compulsion on the old units working in the country. It is a well-known fact that during recent years, there has been manifold increase in investment cost. Therefore, new units have the disadvantage of of high depreciation and interest liabilities and therefore, their cost of production is higher than that of the older units. In a number of industries many important units are owned by multinational corporations who have an advantage of the low capital base. Their brand names are also known world over and they have their offices all over the world. Therefore, if they are really serious, they can increase our exports much faster than others. Hence like the new Indian entrants who have export obligation, there should also be similar or larger obligation on existing multinational corporations and the level of obligation on them should be much higher than that of the new entrants.

Develop import substitution industries: To make the economy self reliant, import substitution is as important as export promotion. There are a large number of products such as cotton, newsprint, metals, and chemicals which even now are big consumers of foreign exchange. It is possible to considerably reduce these imports by developing capacities at home. In order that import substitution may be achieved at a much faster rate than hitherto, they should be treated at par with export promotion industries in regard to industrial licensing, allocation of foreign exchange, financing etc.

If the above proposals are considered and implemented in proper perspective, there is no reason why Indian exports should not rise at a fast pace specially because in our country inflation has been contained while other exporting countries are still plagued by it. This should give an edge to us over our competitors and we should make all possible efforts to increase exports on an emergency footing so as to make the country self reliant within the shortest possible time.

Exports looking ahead

Raunaq Singh

The author is President of The Federation of Indian Export Organization. Reviewing the recent trends in exports, he has rightly come to the conclusion that a breakthrough in exports during the next five years will be possible only by creating additional capacity within the country. He has agreed with the recent FICCI study which has recommended that exports should not exceed 25 per cent of domestic industrial production. Commenting on the assistance given by the government for promoting exports, he has suggested that it should be significant and stable over a long period.

DURING THE past few years, we have done well on the export front. This happy chapter in the history of our exports is, however, relatively recent. The rate of growth of exports per annum which was negligible in the first two Plan periods (0.3 per cent in the first and 1.1 per cent in the second) jumped to 4.6. per cent in the third Plan period. In the past five years, the annual compound growth rate has been 20 per cent with exports going up from Rs 1,535 crores in 1970-71 to Rs 3,863 crores in 1975-76.

Although in terms of value, growth in exports is impressive in relation to export performance of many other countries, or even in relation to our national potentialities, the increase has been inadequate. For example, our share in world exports declined from 1.02 per cent in 1965 to 0.72 per cent in 1970 and 0.53 per cent in 1975. At the same time, exports as a ratio of our national income went up from 4.6 per cent in 1966-67 to 6.0 per cent in 1975-76.

What is more impressive in the growth of total exports is the change in its composition. Even as late as 1960-61, three major commodities viz. cotton textiles, jute manufactures and tea contributed more than 50 per cent to our total export earnings. Since then, exports have been diversified with greater accent on manufactures than on primary products. As a result, the share of traditional commodities in our total exports declined from 72 per cent in 1965-66 to 44 per cent in 1974-75. On the other hand, the share of non-traditional commodities doubled during the same period from 28 to 56 per cent. Oil cakes, crude materials such as hides and skins, and spices which ranked among the first ten in 1965-66 lost their places in 1974-75 to gem and jewellery, clothing and sugar. Engineering products which ranked sixth then were the first major export group last year. On the other hand, jute manufactures which were the primary export commodity earlier dipped down to third place. Some of the commodities which have shown exceptionally high growth rates include engineering goods, sugar, rice, cement, jute manufactures, non-essential oils, art silk and synthetic fibres, iron and steel products, clothing, fish and fish preparations, gems and jewellery, chemicals, and cotton handlooms.

Apart from the composition of exports, there has also been a significant change in direction. A gradual shift is discernible from exports of traditional primary commodities to developed countries to export of finished goods to developing countries. In 1965-66, the major market regions were North America and the European Economic Community (EEC). But gradually over the years, the ESCAP region has emerged as the largest importer absorbing over 28 per cent of our total exports. The other markets are the EEC, the East European countries, North America, West Asia and Africa, in that order. But a higher growth rate has been shown by West Asia because of the phenomenal purchasing power that has accrued to it after the boom in oil prices.

Notwithstanding a sharp increase in our exports, the year 1974-75 ended up with a trade deficit of Rs 1163 crores which was financed mainly by drawings on IMF under the "Oil Facility" and external aid. In 1975-76, the trade deficit is estimated to be around Rs 1154 crores. This gap, with uncertain aid prospects and the keen desire for self-reliance, makes it imperative that exports are pushed up to the maximum extent possible. This need has arisen at a time when world trade itself is not by any means buoyant.

Obviously, the approach to export promotion is most unlikely to succeed if it is piecemeal. The export trade has to be conceived as a necessary part of development itself. More particularly, industrial progress has to be so devised as to lead automatically to higher exports. If exports are planned sufficiently ahead, the required production base can be built.

Export Planning

Export planning, no doubt, needs to be done from year to year: these yearly targets have to be dovetailed with long-term projections. A minimum period of five years will be required to gear further production pattern to export needs. Therefore, comprehensive export and production planning over the next five years becomes extremely important.

Export planning needs to be done in terms of products that can be sold abroad, and markets which can absorb these products. This product-market combination should be the basis for export planning. Obviously, growth of our exports will depend partly on the increase in world demand and partly on our ability to secure a large share of the overseas markets—both these influences

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have not been sufficiently strong. Demand for traditional goods such as jute manufactures, cotton textiles, and tea is not elastic enough; besides, synthetic substitutes in some cases have emerged. Neither have we been able to secure a large share of the markets from our competitors except in limited areas such as engineering goods in developing countries, and leather and leather manufactures, cotton textiles, clothing, gems and jewellery in developed countries.

In spite of the considerable diversification that has taken place in the past five years, there is still substantial concentration of the export trade product-wise as well as market-wise. The first ten major products together account for about 64 per cent of our exports. Similarly, the first ten major importing countries together absorb 66 per cent of our exports. As such, any significant improvement in our exports will have to come substantially from this field of trade.

It is also important that although the ten major countries have a large share in our exports, our share in their imports is extremely small—almost insignificant. In the USA, it was 0.6 per cent; in the UK 0.92 per cent; Japan 1.1 per cent; and so on. The overall share, moreover, has been shrinking due to the relative inelasticity of our exports and the loss of markets to our competitors. The first factor will have to be counteracted through greater diversification of our export trade. The impact of the latter will have to be examined product-wise and corrective action taken, which cannot be outlined in the limited space of this article.

A major imperative before the country today is to ensure that within the next five years not only the trade gap is narrowed down but eliminated as far as possible. Indeed, we have to think in terms of a surplus. According to a Study made by the Federation of Indian Chambers of Commerce and Industry, which formed the theme paper for a conference organised last month in Delhi, it is evident that a national goal of this kind is well within our reach. From market potentialities and domestic production conditions, the study estimates that exports in 1980-81 could be of the order of Rs 5811-6265 crores at 1974-75 prices. This will mean that against the minimum import needs of Rs 5559 crores in 1980-81, there will be a small surplus if we go by a less optimistic estimate, and a reasonable surplus if we go by a more optimistic estimate.

According to the FICCI paper, to achieve the envisaged targets, exports of engineering goods, for example, will have to go up from Rs 350 crores in 1974-75 to Rs 1100 crores in 1980-81; of readymade garments from Rs 136 crores to Rs 350 crores; of leather and leather manufactures from Rs 145 crores to Rs 335 crores; of chemicals from Rs 104 crores to Rs 260 crores, and so on. On the whole, the more optimistic projection would imply a growth rate of over 11.25 per cent per year (compound rate) in real terms. This would mean nearly trebling the rate of export expansion achieved in the first half of the present decade. The envisaged targets would be 0.67 per cent of the

THE SHORES OF SELF RELIANCE HAVE BEEN SIGHTED. MMTC WITH A WELL GEARED EXPORT EFFORT CONTRIBUTED ITS SHARE IN STEERING THE ECONOMY TOWARDS THIS AVOWED GOAL. OVER THE PAST DECADE OUR EXPORTS OF IRON ORE AS WELL AS MINERALS LIKE MANGANESE ORE, NON-COKING COAL AND SILLIMANITE HAVE BEEN RISING STEADILY.

IN 1964-65 THE TOTAL EXPORTS WERE RS. 42 CRORES. IN 1975-76 THEY STOOD AT RS. 168 CRORES. THE EXPORTS OF IRON ORE SHOT UP FROM RS. 23 CRORES IN 1964-65 TO RS. 129 CRORES IN 1975-76. MMTC WILL NOT REST ON ITS LAURELS. IT WILL CONTINUE TO STRIVE, FACE ALL THE CHALLENGES AND WEATHER ANY STORM TILL THE COUNTRY'S CHERISHED GOAL IS ACHIEVED.

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world trade in 1980-81 and 7.5 per cent of our national income in that year. Another major feature would be that the growth of non-traditional items would have to be faster than that of traditional items. This would also imply higher increase in the export of manufactures. More specifically, the share of traditional items in our exports during the period will drop from 44 per cent in 1974-75 to 37 per cent in 1980-81, and the share of manufactures will be up from 55 to 63 per cent in the same period.

Export efforts of this magnitude can be sustained only if these are adequately supported by the requisite domestic production. This aspect has not received sufficient attention. As a result, either exports have not grown to their full potential or have been at the cost of domestic consumption. It can be appreciated that in respect of luxury goods, for example, diversion of production to exports would be desirable even by reducing domestic consumption. Such diversion, however, becomes difficult when domestic demand is strong. For this reason, an expanded export effort can be sustained only by an appropriate increase in domestic output.

There are two main considerations involved in planning future production: export surplus should not be at the cost of domestic consumption or use; and the percentage of production for export should not be very high since export markets fluctuate and, as such, create disturbances in domestic industrial conditions.

Exports have, indeed, to be a built-in factor for production planning. The separate market indentities — domestic and foreign—do not imply a dichotomy of production. For this reason, the production system as a whole must be commercially efficient. Cost and quality have to be competitive judged by international standards.

As a general guideline, exports should not exceed 25 per cent of domestic production. Of course, this guideline cannot be rigidly applied in all cases. For example, in the case of such industries as tea, jute manufactures and coffee exports already account for about a half of the total domestic output. The limitation of exports to 25 per cent could be brought about by greater diversification of exports, and larger production for the domestic market if it can be sustained by adequate demand. In planning production over the next five years, therefore, it is necessary to produce comparatively more for the domestic market in areas in which exports are likely to expand relatively faster.

To achieve the requisite export target by 1980-81 would, in turn, mean that adequate production capacities are created so that the required export surplus is available in time. Considering the long gestation period of some of the complex industries, action will have to be initiated within a very short time. Additional export production which will have to be planned in respect of some of the major items would be 100,000 tonnes in the case of tea; 78,000 tonnes of tobacco; 161,000 tonnes of jute; 656 million metres of mill-made cotton textiles; 701 million metres of handloom and powerloom fabrics; 1 million tonnes

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of coal; 31 million tonnes of iron ore; 15.5 million tonnes of cement; Rs 431 crores of chemical and allied products; Rs 4425 crores worth of engineering goods; Rs 182 crores worth of rubber manufactures; Rs. 559 crores worth of leather and leather products, etc.

Industrial production, it needs to be remembered, is wholly responsive to investment. Since in industries like engineering, chemicals etc. possibilities for large exports exist, expansion of output has to be undertaken as expeditiously as possible. For example, for the output in engineering industry will have to be stepped up from Rs 5000 crores to over Rs 9520 crores; in chemicals from Rs 280 crores to nearly Rs 820 crores etc. Unless these increases in output are planned sufficiently in advance, we will not be able to undertake the anticipated exports in 1980-81.

Production and investment effort will have to be supported by an appropriate export strategy to achieve the desired results. The relevant policy instruments available at present are rupee exchange rate, import tariffs, and measures of assistance. The exchange rate variation as a policy measure has to be used with a great degree of caution. The import tariff system has been fairly rationalised though in some cases the incidence of customs duty has inflated the capital cost of products and, consequently, the cost of manufactures. Some adjustment in the structure of tariffs is required to ensure that the system does not operate against the needs of the country.

Basic questions in respect of export assistance are the size of support, the method of support, and selectivity in support. In this context, the import replenishment scheme to be more meaningful will have to be as free as possible. Likewise, the duty drawback should be comprehensive enough to include not only customs and excise but also sales tax and octroi. The mode of payment of the duty drawback is time-consuming and extremely complicated. This negates the very purpose for which the drawback is given. Even otherwise, export-linked imports or duty drawbacks cannot be looked upon as genuine support measures, as these are prevalent in almost all countries, thereby cancelling out advantages. The cash assistance scheme has, therefore, to be looked upon as the most effective support measure to provide a real push to exports.

To be effective, the amount of cash assistance must be significant and stable over a period of time. The manner in which it is given should be direct and, to ensure that it does not support the wrong type of export pattern, it should be selective and not uniform. Unfortunately, payment of cash assistance at present is subject to the same difficulties as duty drawback. A drastic simplification of the system is called for. A basic requirement is that cash assistance is made available to the exporter immediately on undertaking export. As far as the question of selectivity is concerned, as a general rule the choice of products for purposes of cash assistance should be such that the ratio of additional export earnings to the assistance offered is high and above the given norm. This will minimise the social cost of acquiring additional

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INDIAN COFFEE MARCHES AHEAD

According to a legend, four hundred years ago, Saint Bababudan brought seven coffee seeds which were planted on Chandragiri hills in Karnataka State. Today, Indian coffee covers 1,71,535 hectares accounting for 80,587 estates, large and small (2,229 estates above ten hectares and over 78,000 estates of ten hectares and below). These estates provide employment to an average daily number of 2.40,000 workers who enjoy the benefits of the Coffee Board's labour welfare measures.

Production of coffee has made rapid strides during the last three decades from a mere 16,000 tonnes in the forties to around 90,000 tonnes in recent times — a phenomenal increase managed with only a marginal increase in plantation acreage. To a large extent, this increased productivity has been due to the Coffee Board's Research Department at Balehonnur in Chickmagalur District of the Karnataka State. The Research and Extension Departments of the Board ensure supply of new and improved strains of coffee and scientific cultivation of the coffee plants.

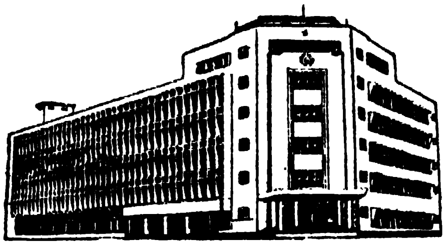
Coffee Development plans of the Coffee Board provide loans for intensive cultivation, replanting, purchase of equipment and machinery and working capital for the improvement of pulping units and drying yards. In addition, long-term development loans are also granted. Development loans are specially geared to the needs of small coffee growers.

Coffee marketing of the Board has ensured payments to planters on the basis of quality for the coffee grown and delivered by them to the common pool according to the Coffee Act. The Department also apportions quantities for internal sales and export, taking into account their needs, besides organising efficient curing.

Coffee promotion has resulted in increased exports and has also built a home market. Today, India consumes about 40,000 tonnes of coffee, internally, every year

Aided by funds from the International Coffee Organisation, the Coffee Board has taken steps to strengthen further the general coffee economy by providing the necessary infrastructure required for the development of the Indian coffee industry.

Maintaining its prestige, Indian Coffee, famed for its aroma and high quality, continues to make steady progress not only within India, but in world markets, and now earns for the country foreign exchange of over Rs. 66 crores. In the export field, a recent breakthrough has been the signing of a contract for direct export of 300 tonnes of Indian Instant Coffee to Russia.



COFFEE BOARD

Bangalore

foreign exchange. In the present condition, the cash assistance scheme holds the key to better export performance. However, it is not as if a scheme can be made automatic and the parameters defined for all time to come. The Government should, therefore, set up a small Compact Committee consisting of officials from various ministries as also exporters to take instant decisions on the extent of cash assistance to be given.

Our exports have come up against other hurdles like delays in delivery schedules due to congestion in ports, non-availability of shipping space etc. It is extremely important that port facilities are adequately expanded. The proposal to establish a freight equalisation fund is welcome but it cannot be ensured that exports will have smooth sailing even wth the best of efforts. Alternative arrangements are, therefore, required to guarantee prompt deliveries. This can be done if the government establishes bonded warehouses in selected centres abroad such as the USA, Europe and Japan.

Sugar : increased output for rising exports

Madhava Prasad

The author, who is the President of the Indian Sugar Mills Association has listed various steps which need to be taken so that the production of sugar in this country may increase leading to rising exports and consequent enhanced earnings of foreign exchange. In particular, he has laid stress on the importance of providing relief in excise duty on almost the same lines as was done in the sugar season 1974-75 when production attained an all-time peak.

SUGAR, AN agro-based industry par excellence, is the second largest industry in the country. Located in rural areas as they are, sugar factories provided the most effective instrument for carrying progressive trends into the countryside. This industry also caters for the requirements of an essential food item, namely, sugar. Its contribution to the nation's economy is indeed gigantic.

The central and state exchequers annually earn about Rs 300 crores by way of central excise duties and state taxes. The industry provides employment to nearly 300,000 workers. The capital employed in this industry is of the order of about Rs 750 crores. Its product value is over Rs 1000 crores.

During the financial year 1975--76, sugar became the largest foreign exchange earner for the country; sugar exports totalled 1.2 million tonnes, earning a foreign exchange of about Rs 464 crores including a rupee profit of about Rs 170 crores by the government. Such large exports were possible due to the sharp increase in sugar output during the 1974-75 season when it reached an all-time record figure of 4.79 million tonnes.

Unfortunately, the rising trend of sugar output could not be maintained during the season 1975-76, due to a variety of factors beyond the control of the industry. Sugar output declined to about 4.25 million tonnes (estimated). The two main factors which affected production were : (a) withdrawal of excise rebate concessions, and (b) continuance of the disproportionately high rate of excise duty on free sugar at 45 per cent ad valorem with consequent widening of tax disparity between sugar and •khandsari, enabling the latter to divert large quantities of cane.

Due to fall in production, exports had to be curtailed. On current reckoning only about 600,000 tonnes are likely to be available for exports from the 1975-76 season's production i.e. a decline of about 50 per cent. This is indeed unfortunate especially as the world prices have almost stabilised at quite an attractive level of around £200 per tonne. Expectations are that prices may continue to remain stable in the foreseeable future. Immediate remedial measures therefore need to be intitiated to maximise sugar output in the next season (1976-77), so as not only to cover the lost ground but also to increase exports further.

First and foremost is the need to reintroduce excise rebate concessions on additional production on the same basis as was followed in the 1974-75 season. Excise rebate concessions for increasing production have been allowed to this industry in the past and have yielded rich dividends in terms of increased production. As in the 1974-75 season, the crushing season should be broken-up into two parts for the purpose of allowing rebates on excess production i.e. (i) early part comprising the months of October and November, and (ii) rest of the season. The only modification necessary is that the base level of output should be reckoned at 90 per cent of the production during the preceding five seasons as recommended by the Agricultural Prices Commission.

Taking a cue from the sugar industry, the government has already announced a scheme of excise rebate concession covering 43 industries and a separate scheme for the paper industry has also been announced. Further, textiles and other industries may also be covered. It is essential that a proper scheme for sugar industry should be reintroduced on the lines suggested for maximisation of sugar production.

Simultaneously, the statutory minimum price of cane should be increased to Rs 10 per quintal for 1976-77 season linked to a basic recovery of 8.5 per cent and it should be announced at the earliest. It is felt that this price together with the additional realisation which the growers would receive as per the Price-sharing Formula recommended by the Bhargava Commission and since accepted and enforced by the government, should provide parity realisations to the growers so essential to maintain cane acreage at the desired levels.

Furthermore, having regard to large-scale diversion of cane

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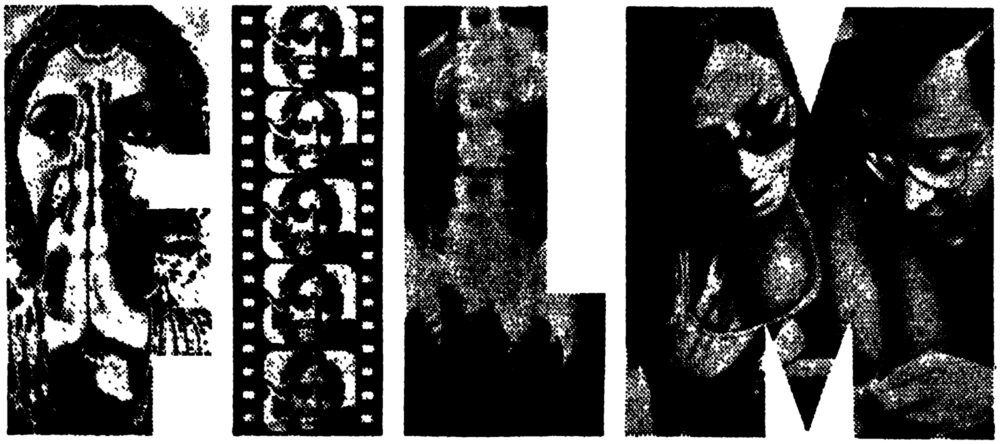

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to khandsari and gur during the last season (1975-76), effective measures need to be initiated to guard against its recurrence. For this, the wide tax disparity between free sugar and khandsari should be reduced through an appropriate reduction in the disproportionately high rate of excise duty of 45 per cent ad valorem. The present wide disparity would be evident from the fact that while free sugar bears an excise duty of Rs 140 per quintal, the average incidence on khandsari, under the scheme of compounding the rates, works out to only Rs 25 per quintal. Moreover, other appropriate regulatory measures need to be initiated to prevent undue diversion of cane to gur and khandsari.

Refrigeration and airconditioning industry

Virendra P. Punj

The author is the chief executive of Fedders Lloyd Corporation Ltd. He is discussing here the problems of an industry which seems to have fallen on evil days. According to Mr Punj, excessive excise duty has crippled this industry. Its potential to preserve or save perishable foods is unquestionable. It is too late in the day to describe it as a luxury industry. A way will have to be found to put this industry out of its misery.

IN THE post-independence era, airconditioning and refrigeration industry has taken significant strides. Today it has a totally indigenous set-up. The industry covers industrial refrigeration, manufacture of domestic refrigerators, water coolers, chillers, central airconditioning plants, room airconditioners and cold storage plants. Only a few years ago, our requirements in this field were a drain on our foreign exchange. Now we not only save this amount but we are also earning sizeable foreign exchange by the export of know-how and products.

With a capital investment of Rs 500 million, this industry provides direct employment to around 100,000 families besides supporting a large number of ancillary units and a vast national network of maintenance workshops. The airconditioning and refrigeration industry is one of the most important source of revenue to the central and state governments.

Contrary to popular belief, almost 80 per cent of the output of this industry is utilised for food preservation and to increase industrial production besides performing the important function of providing equipment for life-saving devices in the hospitals. Many of the essential industries such as fertilizers and pharmaceuticals cannot function without airconditioning and refrigeration. It has also proved to be an important factor in improving the quality of a product, and lowering the production cost. Its other important uses are in the export of marine products, seasonal fruits and other perishable items, telephones, dam construction, precision instrument manufacturing, defence services and a variety of other industries. According to a survey, a family can save as much as 600 Kgs. of perishable food in a year by the use of a refrigerator. It is estimated that there are one million refrigerators in the country which collecively help in saving almost half a million tonnes of perishables a year.

The single biggest factor inhibiting the growth of the refrigeration industry is the heavy burden of excise duties. The stage has been reached when without remedial steps taken by the government , it may be necessary to declare it as a sick industry. Besides the gainful employment which it provides to a large number of persons, its sickness will mean a waste of the know-how which has been acquired by entrepreneurs over a number of years.

Due to the high incidence of excise duty, there has been an alarming slackening of demand for airconditioners and refrigerators. Excise duty on room air conditioner is 100 per cent while on domestic refrigerators it ranges between 40 per cent and 75 per cent. In addition there is the levy of sales tax ranging from 10 to 20 per cent on price. The industry has been pleading to the government for several years for rationalisation in the excise duty structure as today it is more of a necessity than a luxury.

With fall in demand, the revenue receipts from refrigerators and airconditioners have also gone down. The law of diminishing return has set in and progressively less and less revenue is flowing into the coffers of the exchequer.

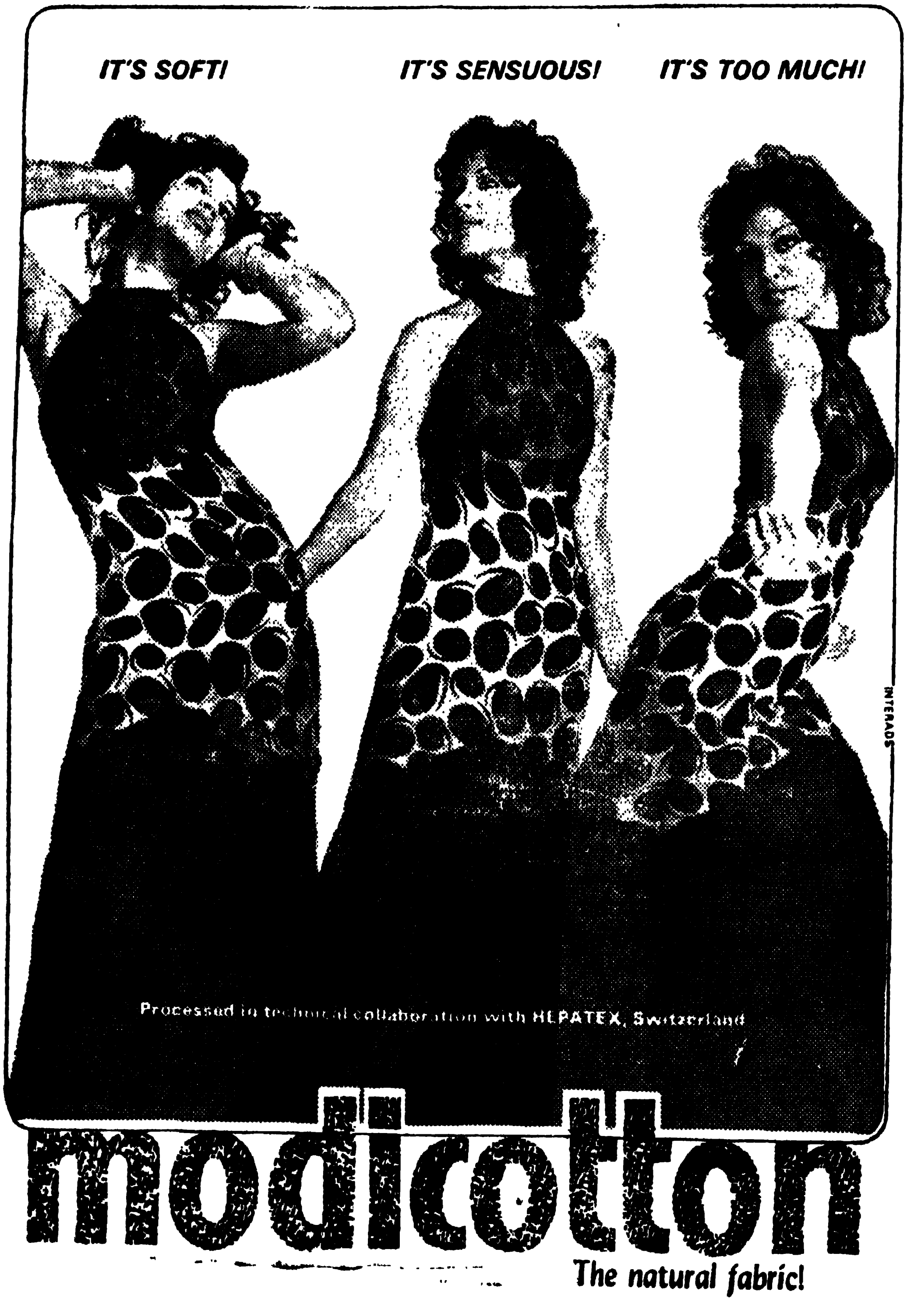
A rather serious *anomaly* which has been witnessed is that while concessional excise duty has been granted in the present budget for the installation of industrial refrigeration and airconditioning on 15 applications such as defence installation computer rooms, research laboratories, telephone exchanges, etc., these concessions have, however, not been granted for window type air conditioners, domestic refrigerators and packaged airconditioners.

If a research laboratory has to be given relief in excise duty covering airconditioning on its premises, whether this airconditioning is done by the central plant or window type/packaged type airconditioners, should make no difference. It is, therefore, essential that concessional excise duty as is allowed on industrial refrigeration and air-conditioning used for 15 applications should also cover window type airconditioners and packaged airconditioners.

Besides, two specific items, namely, airconditioners and refrigerators, there is a lot of unutilised capacity for the manufacture of water coolers, open type compressors as is evident from Table I.

The industry has made considerable efforts in the field of exports as given in Table II.

Already the exports for 1976-77 have far exceeded the total exports of the preceding year.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It is necessary to mention that no industry can sustain its exports without a strong domestic base. As such at the cost of repetition, I would wish to say that the economy of refrigerator and airconditioner industry be thoroughly studied with a view to providing substantial relief in excise duty. I would also suggest that through the nationalised banks, a scheme of hire-purchase be introduced for broadening the consumer base.

The preservation and marketing of perishable foods can be accomplished through the concept of a 'cold chain' which means that all perishable foods from the producing end to the consumer should move under refrigerated conditions. This will include cold storage at the producing end, the refrigerated vans for transport, deep freezers in the markets and refrigerators at home. In order to fulfill this dream and save Rs 500 crores worth of perishable foods every year, the industry producing the various links of the 'cold chain' needs to be reinforced by incentives from the government. Unfortunately whereas the machinery used for cold storages has been granted relief in excise duty during the current budget, the other links of the 'cold chain' are still in a tottering state. It is imperative that the concept of the 'cold chain' should be accepted and substantial relief in excise duty should be given to the various links of the 'cold chain' i.e. refrigerated transport, deep freeze units and domestic refrigerators.

TABLE I

Production of Water Coolers and Compressors

Product	Installed capacity	Production 1972-73	 1972-74	 1974-75	April/ Oct' 76
Water Coolers	25,100	10,064	8486	5217	2846
Open Type Compressors	7,195	742	894	1268	442

TABLE II

Export of Airconditioning & Refrigeration Products

(in Rs)

	1975	1974	1973
Room Air Conditioners	28,37,993	9,42,468	19,21,994
Domestic Refrigerators	22,45,648	54,90,552	52,03,243
Water Coolers	48,88,629	16,33,817	13,85,455
Deep Freezers	3,65,678	13,683	56,534
Hermetically Sealed Compressors	8,99,479	——	5,59,652
Industrial Air Conditioning & Refrigeration Equipment & Plants	1,51,24,350	1,19,05,351	45,61,050

The changing oil scene in India

Dr M. S. Nadkarni

The author is the chief executive and managing director of Madras Refineries Ltd. Reviewing the recent developments in oil industry in this country, he has put forward the view that the government may have to change its policy of not basing new fertilizer plants on oil and gas in view of the high possibility of Bombay High crude keeping up expectations. Long-term forecasts point to increased use of nuclear and coal-fired power plants for meeting the needs of electricity while gas and oil will be conserved for use in transportation and for the manufacture of fertilizers, drugs and synthetic fibres.

THE INDUSTRIAL progress of mankind beginning with the steam engine has reached the supersonic jet age. Massive production of steel, heavy chemicals, plastics and synthetic fibres all reflect the immense splendour and technological heights covered by human endeavour.

In all these achievements, coal has been in the centre for more than 50 years, beginning with 1900. However, the progress of industrialisation was so extensive and the consumption of energy so unprecedented that coal as a prime raw material could no longer keep pace with it and was replaced by oil up to about 60 per cent by 1970.

The past decade—from 1961 to 1970—has seen a marked decline in the use of solid fuels from 48 per cent in 1961 to 35 per cent in 1970. As against this dwindling rate of coal consumption, the ascendency of oil and natural gas is striking—from a mere five per cent in 1900 to 76 per cent in 1975 (see figure 1, p xix).

No other resource has influenced social and economic development of the industrial nations as deeply and as pervasively as petroleum. The overwhelming economic advantages in using petroleum as a raw material for the manufacture of basic and intermediate organic chemicals have completely eclipsed coal carbonisation and fermentation industries as a source of organic chemicals.

Once nuclear power and solar energy take over as sources of industrial and transport energy requirements, petroleum will lend itself exceedingly well for a vast petrochemical manufacturing programme to help sustain man on this planet.

The petroleum history of India is very nearly the same as that of the United States of America where Francis Drake discovered oil in Pennsylvania in 1859. Drilling for oil in India began as early as 1867 at Mukum near Margherita in Lakhimpur district in Assam. For the next five decades, India was politically preoccupied in fighting out the alien rule while the USA developed industrially in a remarkable way eventually

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The Indian oil scene started changing rapidly only in the last decade. Even so, the repleting nature of this energy source, its preferential suitability to petrochemical industries, the growing world populations, the decreasing food and clothing supplies have given the scientific world already a caution in continuing the traditional ways of utilisation of oil. It is now almost certain that oil and gas will eventually be exclusive raw material feedstocks for petrochemicals with even coal supplementing their deficit in this direction. Nevertheless, it is interesting to watch the world and Indian crude oil production figures since 1970, till date (see figures 2 and 3). The dip in 1974 reflects the jolt, the world experienced due to oil crisis. In India three organisations are engaged in the task of crude oil production and exploration. These are the Oil and Natural Gas Commission (ONGC), Oil India Ltd. and the Assam Oil Company Ltd.

The Oil and Natural Gas Commission (ONGC) wholly-owned by the government of India, is engaged in oil exploration since 1956. The producing wells are located in Assam and Gujarat. The ONGC produces five million tonnes crude oil from these wells annually. These crudes are processed in Koyali, Barauni and Gauhati refineries which are owned by Indian Oil Corporation.

The Commission is also engaged in drilling operations in the off-shore areas in the Gulf of Cambay and Bombay High regions. Also it is a partner in an off-shore concession in Iran producing 'Rostam' crude.

Oil India Ltd. is a 50 : 50 partnership of the government of India and Burmah Oil Company, UK. It supplies crude from Naharkotia and Moran fields in Assam to IOC refineries at Gauhati and Barauni and to Digboi refinery. It produced three million tonnes of crude in 1975.

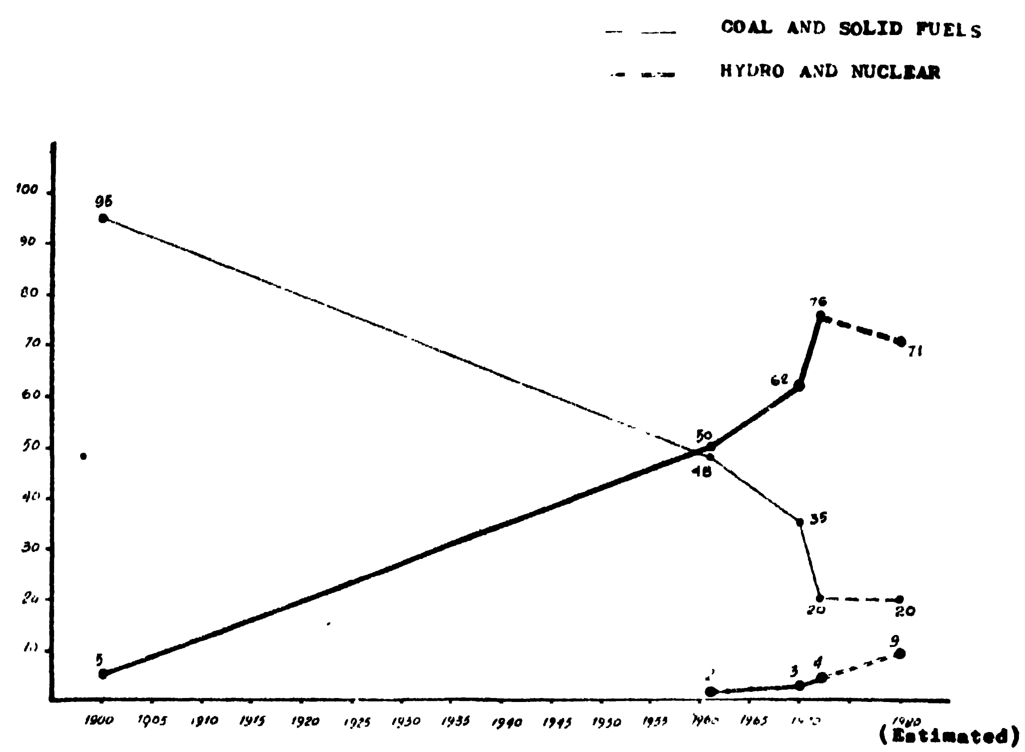
Assam Oil Company, a private company is the oldest company engaged in exploration and production work in Upper Assam since 1889. It is currently producing 70,000 tonnes crude oil per year and this is being consumed by its own refinery in Digboi.

Since independence, the country's consumption of petrolem products was shooting up much faster than the indigenous crude oil production. Till about 1955, more than 90 per cent of the country's demand was met by import of crude oil and products. Currently, we are producing about eight million tonnes of crude oil per year. Our refinery throughputs in 1975 were nearly 23 million tonnes. We are thus dependent on crude imports from west Asia up to 66 per cent of our total requirements.

The ONGC is optimistic of

FIGURE 1

WORLD PRIMARY ENERGY REQUIREMENTS
PERCENTAGE DISTRIBUTION OF SOURCES



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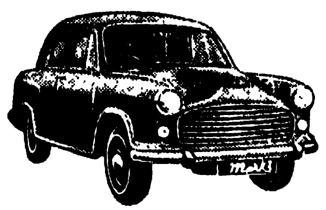

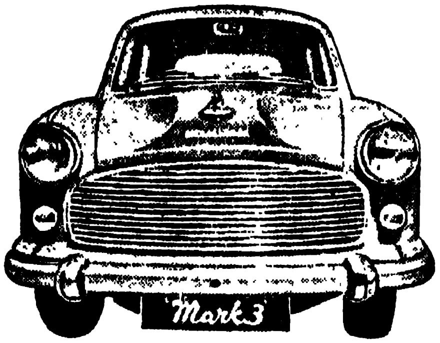

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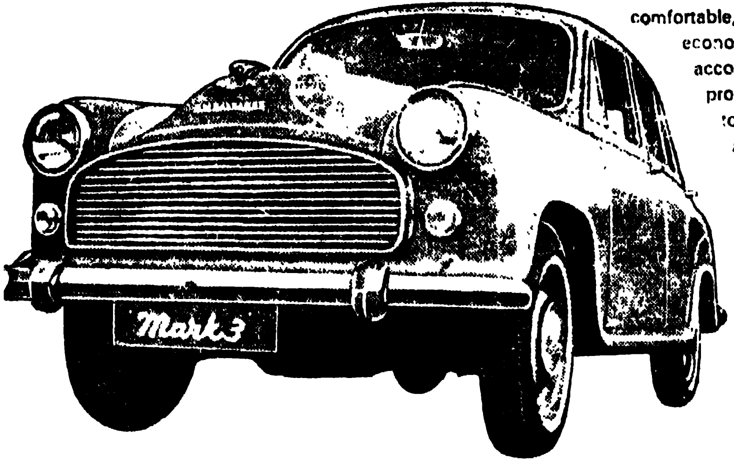

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increasing its current production from known wells and new sources and it is expected that the country's production of crude oil will reach 23 to 25 million tonnes by 1980. Our refinery throughput by 1980 may be as high as 30 million tonnes and we may still have to import about 20 to 25 per cent of the refinery throughputs.

There are at present, ten refineries in India with a total annual capacity of 27 million tonnes (see figure 4). With the recent take-over of ESSO and Burmah-Shell refineries by the government of India, only two refineries are now in private sector operated by foreign companies. Negotiations are in progress to take over these remaining two companies—Caltex and Assam Oil. The other six refineries, Gauhati, Barauni, Koyali, Cochin, Madras and Haldia are in the public sector.

Following the post war trends refining of crude oil was done nearer consumer centres than at the sources. As the government of India was anxious to save at least a part of the foreign exchange outgo on nearly 95 per cent of the country's demand of petroleum products existing at the time of independence, it had evolved a petroleum policy for the country viz.:

(1) to take a first step towards creating an indigenous refining industry;
(2) acquiring know-how and technical expertise and
(3) save foreign exchange.

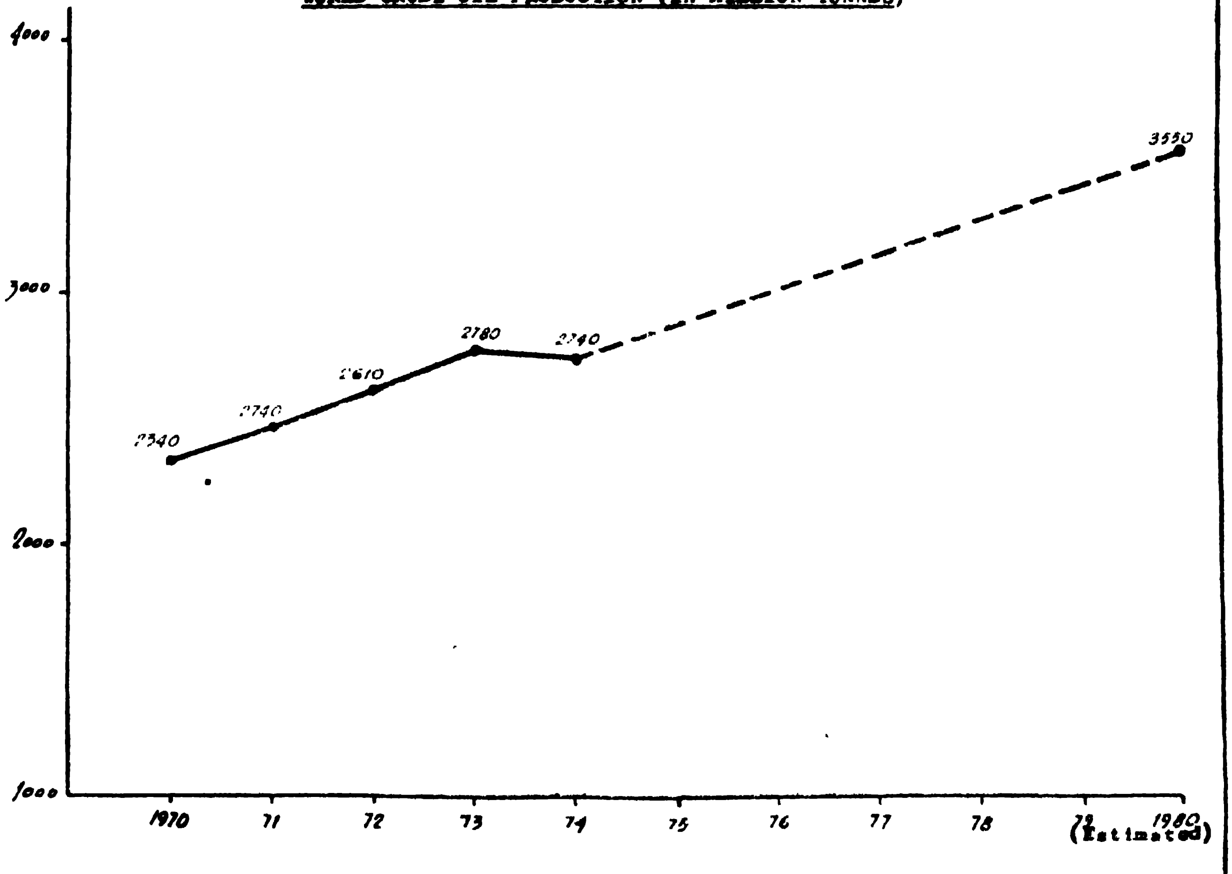
The above policy decision resulted in Esso and Burmah Shell setting up their refineries at Bombay and Caltex at Vizag during the fifties. These three refineries and Assam Oil at Digboi together were refining close to five million tonnes per annum.

The government's intense search for oil resulted in oil find in 1953 in Naharkatiya in Assam. Naturally, the government wanted to process this crude in its own refinery. The first public sector refinery was set up at Gauhati with Rumanian collaboration. It went on stream in 1962 with 0.75 million tonnes capacity. Further oil find in Gujarat and Assam led to the establishment of two more refineries at Baroda and Barauni with the collaboration of the USSR with 4.3 and three million tonnes refining capacity per annum, respectively.

Thus, by 1967, the country's refining throughput was as high as 10 million tonnes with four refineries in private sector processing five million tonnes per annum, and three refineries in the public sector owned by Indian Oil Corporation processing another five million tonnes (see figure 5). Even this steep rise in crude processing from 0.2 million tonnes in 1950 to 10 million tonnes in 1967 did not satisfy the product demand. The demand was still three million tonnes over indigenous supply and thus the country was always falling short of petroleum products, the growth

FIGURE 2

WORLD CRUDE OIL PRODUCTION (IN MILLION TONNES)



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rate being 10 per cent per year. There was thus an increasing need for refining crude oil requiring the setting up in the country of a 2.5 million tonnes capacity refinery at least once every two years. In the mid 1960's devaluation of the rupee was resorted to lift up the country's economy. Buying equipment and plant machinery needed for a refinery of this size meant huge foreign exchange outgo. The import of crude on an assured basis was not easy. These financial aspects spurred the government to encourage joint ventures involving collaboration with reputed oil companies.

The partnership with Phillips Petroleum Company of the USA with majority shares for the government of India led to the establishment of a refinery with 2.5 million tonnes/year refining unit at Cochin in 1966. Soon followed Madras refineries, a joint venture of the government of India owning majority shares, the National Iranian Oil Company and Amoco (a subsidiary of the American International Oil Company). This refinery with 2.5 million tonnes/year capacity went on stream in 1969.

Under an agreement signed in 1967 by the government of India with French and Rumanian firms, a refinery of 2.5 million tonnes annual capacity was set up at Haldia in West Bengal. The refinery is owned entirely by Indian Oil Corporation. The refinery went into production in 1975.

A new public sector petrochemical refinery with a capacity of one million tonnes per annum is under construction at Bongaigaon in Assam. This Rs 180 crore project includes an aromatic complex, a DMT plant and a polyester Fibre plant. The refinery portion is expected to go on stream in late 1977 and the polyester fibre plant by end-1979.

The country's largest public sector refinery of six million tonne annual capacity is being set up at Mathura in Uttar Pradesh at an estimated cost of Rs 97 crores. The refinery also based on imported crude is expected to go on stream during 1978. A crude oil pipe line costing Rs 120 crores under construction. This pi line will cover a distance about 1222 KM from o terminal at Salaya to Mathu and another bifurcation goi to Koyali.

In November, 1973, Persia Gulf producers gave out to th world, their unanimous decisio to cut off oil supply unt Israel withdraws from the Ara soil. Petroleum was thus use as a political weapon for th first time by the Arabs, an soon supplies to the Unite States and other industrialise nations were selectively cut off.

As a result of this o embargo, US petroleum supp was cut by 2.7 million b/ World oil prices were al raised by the Oil Produc

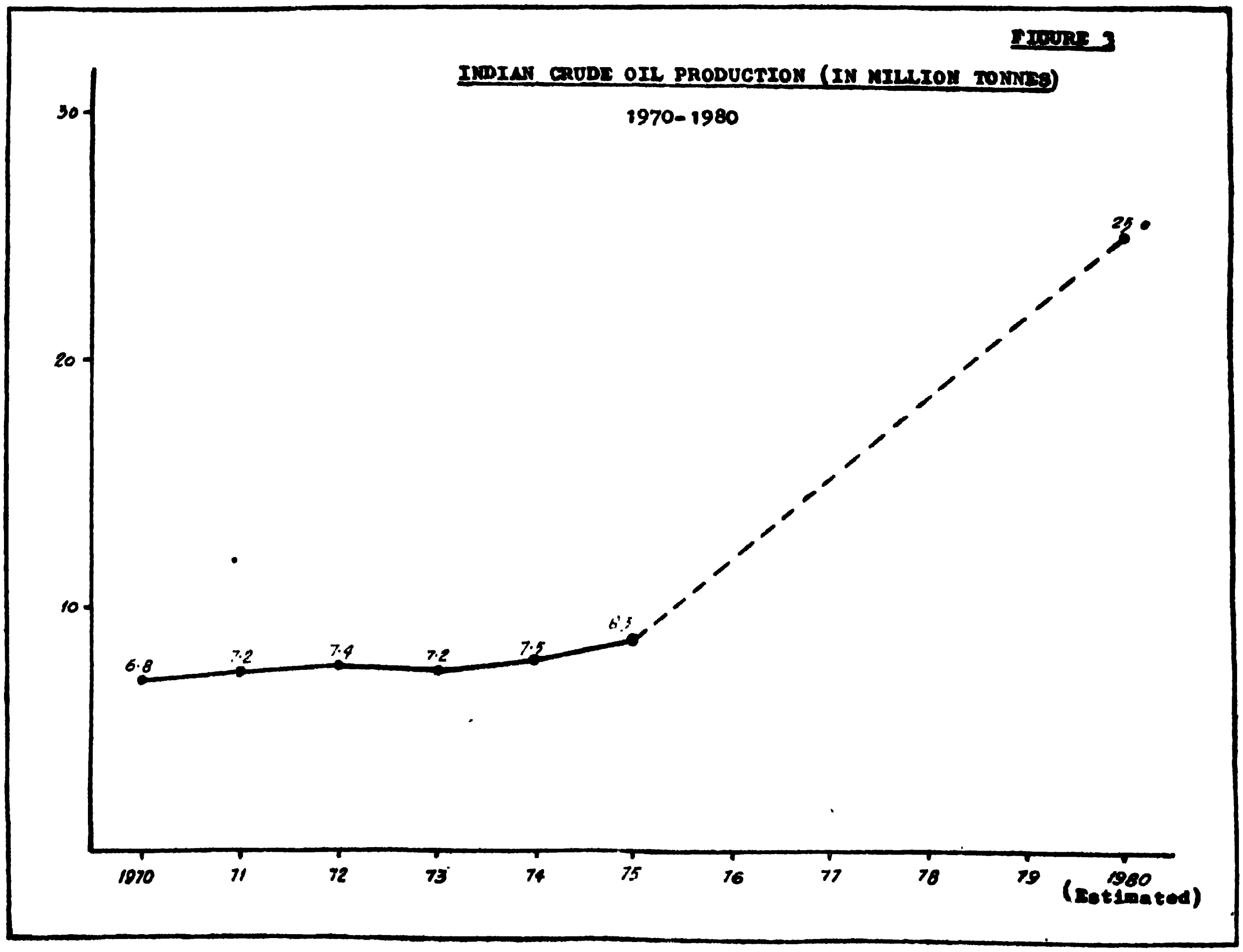
FIGURE 3

INDIAN CRUDE OIL PRODUCTION (IN MILLION TONNES)

1970-1980

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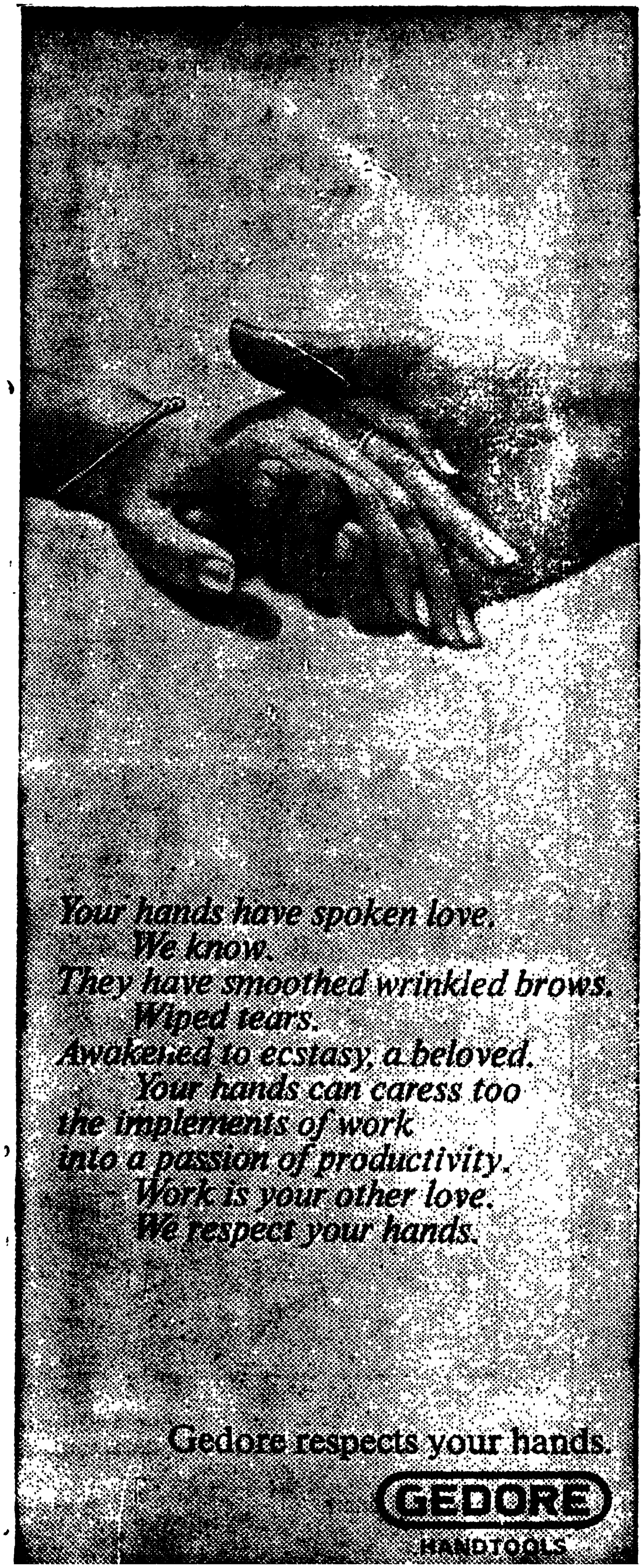
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and Exporting Countries (OPEC) from $3 to $11/Bbl. This action by the OPEC sent shock waves shattering many a developed country's economy. In the US during that period, Gross National Product dropped by $20 billion. Unemployment rose by 500,000 and a third of 10 per cent rise in consumer prices was directly traced to higher oil costs.

Developing countries such as India were not only the worst hit but also their progress was ground to a halt. They had to reduce consumption of petroleum products by conservation and high taxation as the foreign exchange requiremenis for imports shot up. India has to spend almost 50 per cent of the foreign exchange earning for imports of crude oil thus leaving very little foreign exchange to meet other imports required for the developing economy. Indian petroleum product consumption in shown in Table I.

The normal 10 per cent rise in growth rate up to about 1972, suddenly disappeared and came down to only four per cent in 1973. Subsequently, consumption in 1974 went down by three per cent as compared to the previous year, or almost equal to the 1972 consumption level. The severe impact of this crisis on our petroleum product consumption will stay with us for a long time to come. According to official statistics, the cost of imported crude oil and products which had totalled approximately $225 million in 1972-73 rose to some US $700 million in 1973-74 while it reached about $1300 million in 1975-76. As a result of this huge bill and despite growing exports, there has been a marked fall in the country's balance of trade. The stagnation and even regression in many industries experienced in India is not an isolated event. The decrease in petroleum product consumption in 1974 by three per cent—21.8 million tonnes from 22.5 million tonnes in 1973—corresponds to similar retrograde status as shown by global situation which shows a decrease of 1.6 per cent in crude production to 2743 million tonnes in 1974.

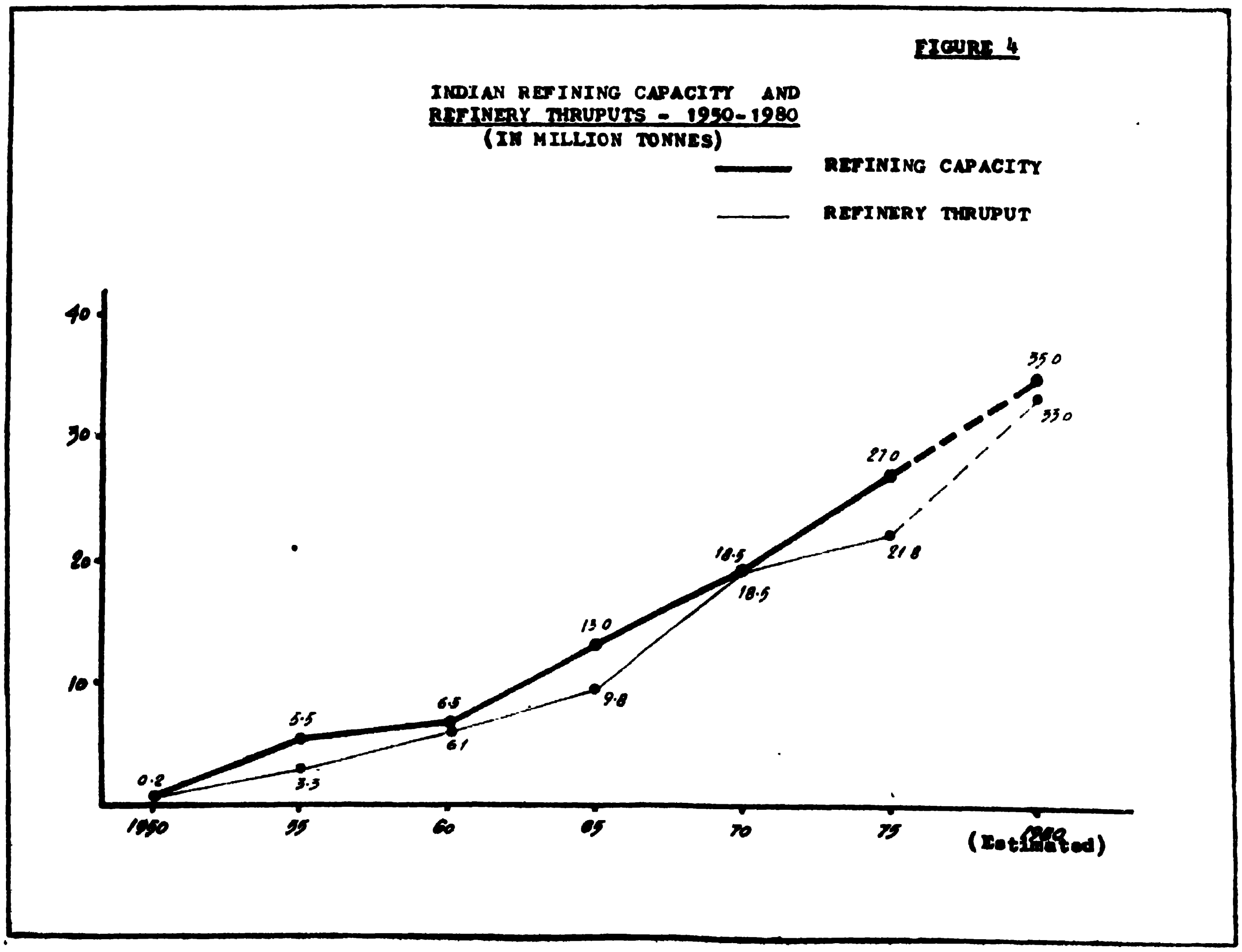
It is possible to substitute oil by different sources of energy while oil has to be the source for petrochemicals in future. At the moment, the substitution with coal and nuclear sources is feasible in large static heating units and power generators. Where the setting up of new plants is

TABLE I

Consumption of Petroleum Products in India

(In thousand tonnes)

Year	1960	1965	1970	1971	1972	1973	1974	1980 (Estd)
Products	7784	12279	18734	20640	22614	23488	22755	37000



concerned hydel and atomic power provide additional viable alternatives. In large systems like the Railways, it is possible to reduce the usage of petroleum by extension and increased use of its power grid.

Coal is relatively more abundantly available raw material source for our energy and chemical needs. In the past, our economy was based on reliance of crude oil and its derivatives which we were importing up to a prohibitive volume (70 per cent), as can be seen in figure 5.

The resolution of this problem is urgent and involves an extremely complex relationship of governmental policy, technological development and economics. But this is a challenging opportunity to spur the government into intensifying all activities for developing other sources of energy.

The main recommendation of the high level fuel policy committee is that coal should be considered as the primary source of energy in the country for fuel as well as for producing power. Another important recommendation is that major cities should be provided with gas plants. The committee has suggested various policy measures aimed at reducing the use of oil in several sectors. The new fertilizer projects should be based on coal as feedstock. Regarding methods of power generation, the committee has suggested that more attention should be paid to hydel power generation in the sixth plan and that nuclear power generation based on thorium-plutonium cycle should be introduced in the seventh Plan. The committee has strongly recommended the popularisation of gobar gas plants in the domestic sector. It has also proposed the setting up of an energy board to coordinate the activities of the different agencies dealing with energy matters.

The ONGC has recently struck oil in the off-shore continental shelf of Bombay High. The commission expects producing 10 to 12 million tonnes from this source alone by the end of the decade. This crude appears to be the most suitable for yielding raw material for petrochemical industries by selecting suitable processes for refining. The present policy of the government not to base newer fertilizer plants on oil and gas may get changed with Bombay High Crude keeping up expectations.

The ONGC's programme for the fifth Plan aims at intensification of its oil exploration work on hand as well as on the shelf areas. A crash programme called "operation quick oil" for the eastern region was formally sanctioned by the ONGC.

Two exploration contracts have been concluded with two groups of foreign oil companies for the off-shore exploration of Bengal and Kutch Basins. Prelimilinary seismic surveys of

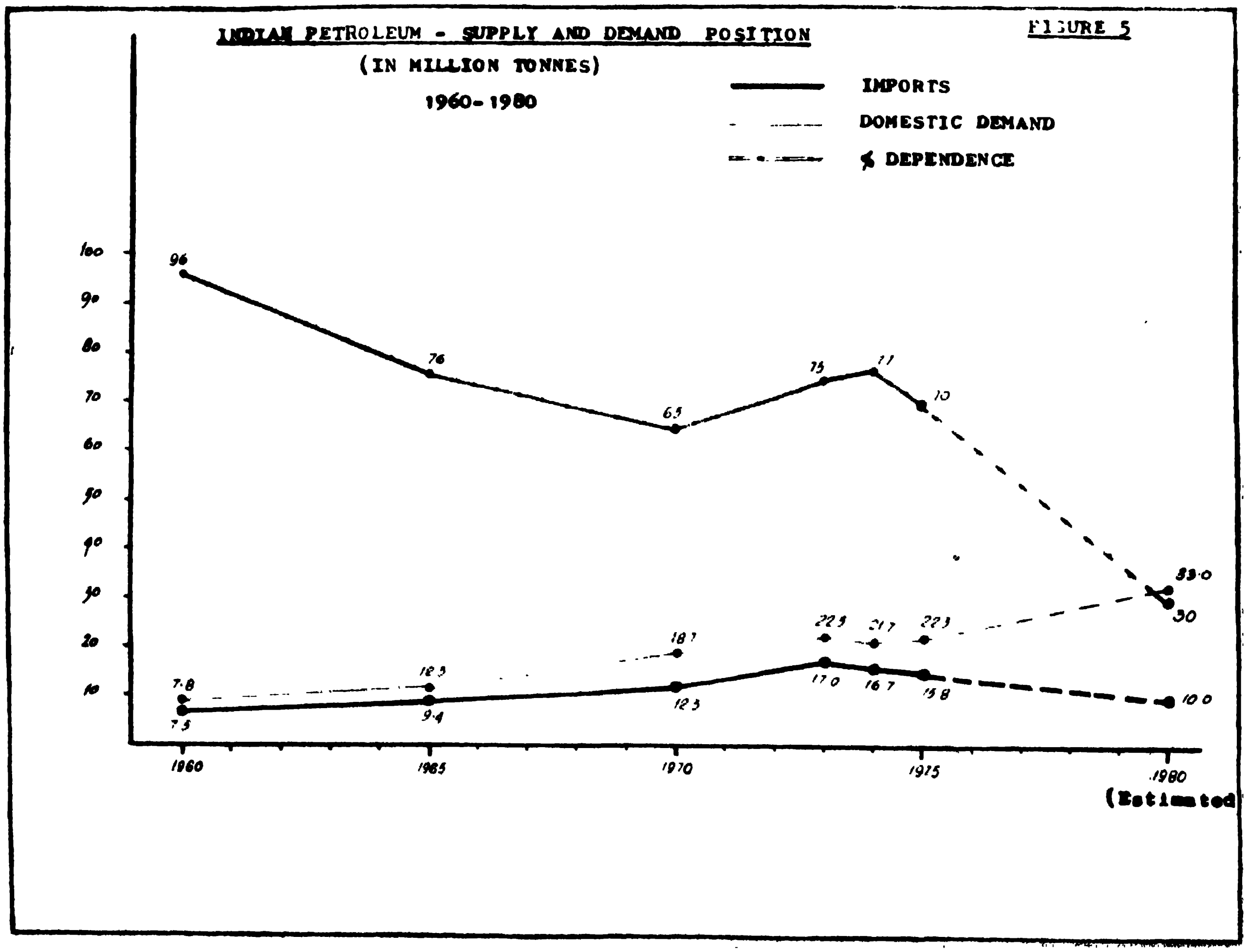


FIGURE 5

INDIAN PETROLEUM - SUPPLY AND DEMAND POSITION
(IN MILLION TONNES)
1960-1980

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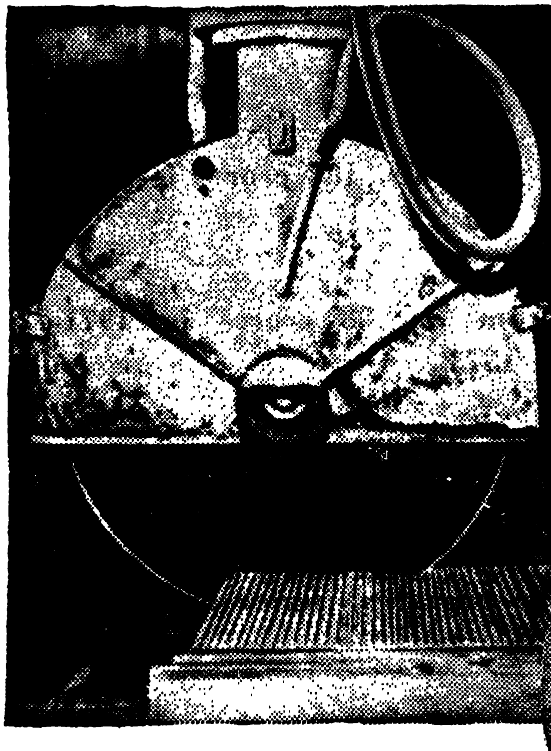

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OVER THE LAST 4 YEARS KARNATAKA HAS ACHIEVED AN ANNUAL GROWTH RATE OF AROUND 6%

Development expenditure has gone up from Rs. 188 crores in 1971-72 to Rs. 424 crores in 1976-77 a rise of 126%.

Annual plan outlay has increased from Rs. 88 crores in 1971-72 to Rs. 227 crores in 1976-77 a rise of 157%.

Per Capita development expenditure has gone up from Rs. 64 in 1971-72 to Rs. 131 in 1976-77.

In the last 4 years employment in the organised sector has gone up from 8.6 lakhs to 10.6 lakhs.

In addition to the State's own budgetary resources, 5 major projects with a total outlay of Rs. 144 crores are being implemented with World Bank assistance.

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these basins have been completed.

Among other attempts for carrying out explorations for oil abroad, India and Rumania have agreed to form a company to undertake land and off-shore oil exploration in Syria, Algeria, Libya and other countries in west Asia and north Africa.

Scientists are optimistic that a breakthrough can be achieved between now and 1980 in harnessing nuclear power in a big way. The first prototype fusion reactor will probably come between 1980 and 1990. By 2000 they might be commercially feasible.

In all countries, there is now a pressing need for a reconsideration of the established pattern of energy supply, for a careful inventory of available reserves and for a review of potential resources for future development. Energy deficient countries have had to reassess their own resources most readily available as suitable substitutes for imported supplies. In many cases, consumers are reverting to marginal or less desirable fuels that had previously been neglected.

Larger and long-term energy conservation will come with application of new technology to achieve greater basic efficiency throughout the economy. The conservation efforts should be coupled with a massive effort to increase energy supply. The main thrust will be towards finding new sources of oil and gas developing more promising alternative sources of new energy.

Nuclear and coal-fired power plants will generate the electric power with gas and oil being conserved for use in transportation such as aircraft and trucks for the manufacture of fertilizers and plastics, drugs and synthetic fibres and such other products as are proven indispensable.

FCI and its plan for expansion

K. C. Sharma

As chairman and managing director of the Fertilizer Corporation of India, the author can legitimately take pride in the progress which the units under his control have been able to make. What is more, he is hopeful of steady expansion of the six FCI units whose investment is expected to rise from Rs 240 crores as at present to Rs 1200 crores in 1978-79.

AFTER A small chemical fertilizer plant was started in the early forties, India's fertilizer industry took a big step forward in 1945 when the government decided to set up in the public sector, the first large fertilizer plant at Sindri. Since then the country has taken rapid strides in building up productive capacity. Production of nitrogen which was only 53,000 tonnes in the financial year 1952-53 is expected to be 1.5 million tonnes during the current financial year—thus registering a growth of about 30 times during 23 years. Similar growth has been achieved in the production of phosphatic fertilizers too.

The installed capacity of the country's fertilizer plants today is 2.2 million tonnes per annum in terms of nitrogen, of which the share of the Fertilizer Corporation of India is a little more than 0.5 million tonnes. The rest of the capacity is shared by other government-owned factories and those in the cooperative and private sector.

Feedstock Policy: India has had to adopt a flexible feedstock policy in setting-up fertilizer plants. This flexibility has been necessary mainly because of the unfavourable balance of trade position and the necessity for India to procure crude in very large quantities, primarily for meeting the large requirements of kerosene in the country.

At one time, when naphtha availability from refining operations appeared easy, there were a number of projects based on it but when its shortages appeared on the horizon, a bold step was taken to project three large coal-based plants, siting them at pit heads. With the emergence of the oil crisis, however, a decision was taken to put up plants on fuel oil, to be imported in the beginning, this being the cheaper petroleum feedstock, more easily available because of higher sulphur content, and resultant problems in its effective use in industrially developed and ecologically motivated countries This was the genesis of a string of fuel-oil-based plants in 1973-74.

On this basis, FCI's Trombay Expansion Ammonia Plant also was originally conceived on fuel oil But when the picture on the availability of petroleum feedstocks within the country considerably brightened with the oil strike in Bombay High, with the possibilities of both crude oil and natural gas being available from this source, it has already been decided that the feedstock for the Trombay ammonia plant will not be fuel oil but will be naphtha, to be obtained by refining of Bombay crude, with eventual change-over to gas when it will become available from Bombay High operations.

It will thus be seen that India has necessarily had to take a flexible approach on the feedstock issue; slowly but surely, however, we are emerging into a situation where we can happily look forward to future fertilizer plants being based on the easier, more convenient and amenable petroleum feedstocks such as naphtha and natural gas.

There is also every hope that explorations in the Bay of Bengal may turn out as fruitful, if not more than our expectations from Bombay High.

In the Fertilizer Corporation, therefore, we have been using a variety of feedstocks such as electrolytic hydrogen, coal and coke, fuel oil, naphtha and natural gas. In all cases, the plants are located close to the sources of raw materials. We have had to work in backward regions, stimulating economic activities there while building the plants. With our active participation and encouragement, many new lines of manufacture and fabrication of machinery and equipment in the country have been taken up.

FCI's operations: The Fertilizer Corporation's operations are spread over practically all parts of India. We have now six operating plants (Sindri, Nangal, Trombay, Gorakhpur, Namrup and Durgapur) in six different states. Except Durgapur, all of them are building additional capacities with major expansion projects now in progress. Also, we have in hand five new grass-root projects, viz. Talcher, Ramagundam, Korba, Haldia and Barauni. With the completion of all these projects, by the end of the fifth five-year Plan period in 1978-79, the corporation's production capacity will increase to about 2.0 million tonnes of nitrogen and 335,000 tonnes of P_2O_5 annually. Our corporation will then, perhaps, be the largest manufacturer of fertilizers in the world.

The corporation was formed in 1961 with the merger of two state-owned units—Nangal and Sindri. Since then FCI has grown to occupy today a commanding position in the Indian fertilizer scene. We employ 30,000 persons in the industry. Our investment of Rs 240 crores in the current six operating units will increase to Rs 1200 crores by 1978-79.

Complex Fertilizers

We manufacture a variety of fertilizers including complex nitrophosphate fertilizer and a range of industrial chemicals. In the very beginning, we had realised the importance of research and development to achieve self-reliance. Simultaneously, we started in-house training to develop a large work-force of skilled technicians, supervisors and managers. Today, our training institutes in all units and project divisions have the capacity to train nearly 2,200 persons at one time. We lay special emphasis on management development and career planning in our corporation, and I feel proud to say that many of the top men in the country's fertilizer industry today have had their grounding in the FCI.

Research & Development: The Research & Development cell established at Sindri in 1951 has now grown into a full-fledged organisation widely known as the Planning & Development Division of the FCI. Here, under one roof, we have a comprehensive and integrated multifunctional organisation covering the interlinked and interdependent disciplines of research and development, pilot plant and

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scale-up for product and process know-how development, process design, engineering of plants and for their installation and commissioning. Based on the know-how developed by its own research efforts, the Division has established manufacturing facilities for the production of various catalysts required for the ammonia industry. These catalysts are being supplied to the industry in the country and limited supplies have also been made abroad.

The FCI received a shot in the arm in 1966 when, successfully in the years following, Durgapur, Barauni plants based on Naphtha, the Namrup Expansion project based on natural gas, and the three coal-based plants at Talcher, Ramagundam, Korba and Haldia project based on fuel oil were assigned for execution with FCI's own design and engineering, supported by process licences for the basic known-how to the extent necessary.

Foreign Assignments: The corporation has recently won a contract in an international competition for a feasibility study of a fertilizer complex in the Philippines. Under a technical assistance agreement with Iraq our experts have rendered assistance to the State Organisation for Industrial Design and Construction of Iraq for Planning new fertilizer production facilities.

Multi-functional Organisation: The FCI has grown into a well-tested technical organisation, concerned not merely with manufacturing but also with the other facets of the fertilizer industry whether it be in planning for the future, building new plants, training persons, doing its own design and engineering, developing processes and product know-how, encouraging and bringing up the Indian fabrication industry, taking the products to the consumer in the remote village and offering him a package of agronomic services or generating resources.

R&D and export effort of ITI

M. S. Raju

The author is manager (exports, public relations and publicity) of the Indian Telephone Industries Ltd. He has explained in detail the various steps taken by this public sector undertaking in the fields of research and development and exports. The undertaking is expected to touch a turnover of Rs 100 crores this year. In 1950-51, its turnover was less than a crore of rupees. The foreign exchange saved by the ITI since its inception runs into crores of rupees.

THE INDIAN Telephone Industries (ITI) Ltd is a mammoth multi-unit public sector undertaking. Established in 1948, it now employs 22,000 persons in nine units in five places, viz. Bangalore, Naini, Rae Bareli, Srinagar and Palghat. The Bangalore Unit is the oldest and the biggest and has four divisions for making (i) Strowger type of automatic telephone exchanges; (ii) crossbar type of automatic telephone exchanges. (iii) Telephone instruments, and (iv) Long distance transmission equipment. It is among a few companies in the world which make a wide range of telecommunication equipment, from telephone instruments to microwave and satellite communication equipment under one roof.

The range of the main products of the company includes:

1. Telephone instruments of various types; 2. Automatic exchange of strowger, crossbar and electronic types; 3. teleprinter exchanges; 4. Long distance telephone carrier equipment for overhead lines, underground cables and coaxial cables; 5. Frequency modulated voice frequency telegraph equipment; 6. microwave equipment; 7. Frequency modulated speech plus duplex equipment; 8. Transmission equipment for defence; 9. Equipment for Railway electrification; 10. Supervisory remote control equipment; 11. Electronic measuring instruments; and 12. Automatic road traffic signals.

Its growth from modest beginnings has been achieved through self-finance by employing indigenous manpower and material resources. In its history of 28 years, it has had only two foreign collaborations in respect of only three products out of its multiple range of output. These collaborations have since been terminated and the company is now on its own. Before we go into the two aspects, viz research and development (R&D) and exports, which this article discusses, a few statistics need to be cited to demonstrate the grounds covered so far.

In 1950 51, the company's turnover was Rs 85 lakhs which in 1975-76 rose to Rs 80 crores. During the current year, its turnover is expected to touch Rs 100 crores. Originally set up to assemble annually 25,000 telephone instruments, it now produces 400,000 telephones which number will rise to 500,000 per year shortly. It produced during 1975-76, 150,000 lines of the strowger type of exchange equipment and 100,000 lines of crossbar type of telephone exchange equipment. Transmission equipments which are necessary for long distance communication are entirely of Indian design for which there has been no collaboration. The ITI has made remarkable progress in this field as in many others. Today it has been able to produce sophisticated equipment for satellite communication and also electronic exchanges based on indigenous designs. The ITI has saved nearly Rs 450 crores in terms of foreign exchange by making available equipment for the vast telecommunication network of the country.

A real breakthrough in the growth and expansion of the company came in 1972 when it adopted a three-pronged approach:

(i) To establish independent industry-based R&D to produce completely new families of equipment on time bound basis.

(ii) To encourage ancillary units for components and utilise the existing capacity for increasing produc-

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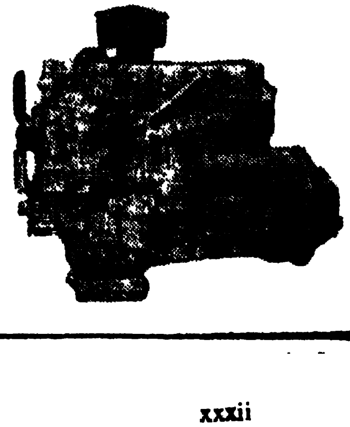

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tion and to undertake a massive expansion plan, and

(iii) To expand exports in a big way to earn foreign exchange for the country and to expose ITI's products to the world.

Considerable effort, attention and resources have been directed since 1972 to enlarge the R&D activity which has been unprecedented in the history of this company. In terms of bridging the technological gap between ITI's designs with those of the advanced countries and also in the development of new products, the last four years have recorded unparalleled achivement.

ITI's R &D activities broadly embrace: long-distance transmission equipment; telephone switching equipment; subscriber apparatus, and special equipment for railways, defence, etc.

Trunk Dialling

Large blocks of high reliability trunk circuits all along the national network were urgently needed to enable proper introduction of subscriber trunk dialling. To meet this requirement the ITI has recently completed the designs of an entire family of microwave systems working in the 2,4,6 & 7 GHz bands. Some of the new equipments have capacities of transmitting 1800 simultaneous speech channels or a TV signal. In the field of coaxial communication, the design of 12 MHz system capable of transmitting 2700 voice channels simultaneously over one pair of tubes has also been completed. Here also the entire range of equipment to work *via* standard and small tubes is available. Designs of the 24-channel and 30-channel pulse code modulation equipment have also been finalised to enable vast increase in junction circuit capacity in local exchanges. Its production is expected to commence shortly. Other items of special interest in this field are the 60-channel Ultra High Frequency equipment, and multi-channel Very High Frequency equipment and multiplexing equipment using the latest construction practices. All these equipments meet international standards.

SITE Television

For the recent Satellite Instructional Television Experiment (SITE) some sophisticated items of equipment were specially designed by the ITI. In this project, both at Ahmedabad and Delhi, the TV signals had to be carried from the broadcasting stations to the transmitters through highly reliable video coaxial equipment. Similarly, TV signals had also to be carried on microwave link from Ahmedabad to Nadiad. All these equipments were, for the first time, designed by ITI to meet international standards and were supplied in record time.

To put new technology to use for the benefit of the common man, ITI has extended its research activities to rural telecommunications. To get to inaccessible rural areas, ITI has specially developed a "Rurafone" which employs a very high frequency radio transreceiver. The equipment is made with solid state devices and needs little or no maintenance and provides reliable and inexpensive communication facilities in rural areas. With this equipment, it is possible to open public call offices with trunk-call facilities even in the remotest parts of our country.

The research engineers of the ITI have recently completed the design of an electronic private automatic branch exchange which uses fully solid state circuitry. Very few countries in the world have successfully designed such an equipment. An entirely new factory has been set up at Palghat, Kerala, to manufacture this equipment. This factory has orders worth six crores of rupees for these exchanges. An entire range of electronic exchange equipment like private automatic exchanges, rural exchanges, etc, are on the anvil and are expected to flow out of the production line during the current year. Simultaneously for large public exchanges, the ITI has launched upon a programme for the manufacture and supply of the first commercial trial Stored Programme Controlled Electronic Exchange in cooperation with the Telecommunication Research Centre of the Posts and Telegraphs Department. The manufacture of this equipment will increase the competence of the ITI to take up design of the full range of electronic public exchanges. Studies in such advanced fields as Time Division Switching and Integrated Switching and Transmission Equipment have also been started.

In addition to these significant advances, the ITI has also taken steps to improve the existing strowger and crossbar equipment so as to increase reliability and improve their suitability for Indian traffic patterns. These studies and improvements have already yielded rewarding results.

Particular attention has been paid to the design of the telephone instrument installed at the subscriber's premises. Its components have

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been newly designed to improve their reliability and bring in miniaturization.

These models with pleasing lines look elegant. They include desk models with modular construction such as the 'Naveen' and 'Elegant' models. These instruments adopt printed circuit technology, with less fault liability. Another completely new development is the push button telephone, 'Ashoka'. This has an intricate and sophisticated electronic memory which stores the digits and pulses them out at the correct speeds irrespective of the speeds at which the numbers have been pressed out on the key pad.

Prototypes of a number of futuristic instruments have been developed to provide modern conveniences to the subscribers:

(i) Automatic answering and recording telephone for an absentee subscriber.

(ii) Auto dialler to dial a whole number (local or STD) by pressing a single button. This instrument can store any of 30 frequency used numbers.

(iii) Loud speaking telephone to enable hands-free conversation.

(iv) Multiline telephone to teminate a number of lines with a guide on one instrument alone. This is meant for the busy executive whose table is cluttered up with a number of telephones.

New Models

These new models are expected to flow out of the production line during the current year.

A sizeable portion of the defence communication needs of the country are met by ITI. The latest defence systems to come out of the R & D are the new multiplex equipment for the Air Force and Pulse Code Modulation Systems and Electronic Exchanges for the Army. The first fully solid state microwave system providing 120 channels has been successfully developed for the railways.

The ITI which has been manufacturing road traffic signalling equipments has now developed vehicle actuated and other electronic signalling equipments. System designs of fully solid state supervisory remote control and telemetry equipment for the railways, Electric supply companies etc. have been completed. Turnkey jobs in these fields are being undertaken by the company.

Telecom Network

In 1947, the country had only 86,000 telephones with 321 exchanges having a capacity of less than 100,000 lines. Today, the country has 4,883 exchanges with 1.6 million telephones. Eighty per cent of the country's telephones are now connected to automatic working.

During the decade 1966-1975, the telecommunication services have registered phenomenal progress as the table below, will indicate.

The future plans in the field of telecommunication include subscriber trunk dialling connections from Delhi with all city capitals by the end of 1977. Later the capital cities and other metropolitan towns will be connected to important towns around them through no delay trunk services and later by STD. Rural areas will receive special attention in respect of telecommunication facilities. International trunk dialling will be introduced in the next decade. It is proposed to have communication satellite exclusively for domestic communications for P&T as well as other users. The telex network is proposed to be extended to smaller centres to promote commercial and industrial interests throughout the country. As against 120,000 new telephones which will be provided during the current year, it is planned to increase this figure ten-fold during the next decade.

Consultancy Unit

The company has a competent and well-staffed consultancy unit to undertake work ranging from feasibility reports to complete project formulation. This division has been registered with the Asian Development Bank, Manila, and also with the International Bank for Reconstruction and Development, Washington

The company has made remarkable progress in the export field. ITI has won a number of global tenders for the supply of telecommunication equipment against stiff competition. Today, it is known as a major exporter of telecommunication equipments of international standards.

Notwithstanding the very heavy home demand for telecommunication products, the company has been exporting its products to over 40 countries, including Australia, Aden, The Arab Republic of Egypt, East Africa, Greece, Bangla Desh, Burma, Ethiopia, Indonesia, Iran, Jordan, Kenya, Kuwait, Lebanon, Libya, Malaysia, Mauritius, Nepal, Nigeria, New Zealand, the Sultanate of Oman, People's Democratic Republic of Yemen, the Philippines, Saudi Arabia, Singapore, Sri Lanka, Sudan, Surinam, Trinidad and Tobago, the United Arab Emirates and Yugoslavia. The exports of the company so far total eight crores of rupees. A good portion of the company's exports go to the East African region. Though exports in this region have started recently, i.e. after 1969, there is not a single town or city of importance today in Uganda, Kenya and Tanzania, which does not use ITI-made telephone exchange equipment. Almost all the contracts won by the ITI in these countries are through competitive bidding against international tenders and the company has had no difficulty in matching its equipment with the supplies from the west.

The ITI has won prestigeous orders from Jordan, a turnkey installation of 1,000-line automatic exchange valued at Rs two million at the historic Salt Town in Jordan, and extension of the international auto manual exchange at Amman.

Since 1974-75, the ITI's export efforts have been redoubled and the most important

	1966	1975
1. Long distance rural public call offices	2,650	5,650
2. Direct exchange lines	6.5 lakhs	13.8 lakhs
3. Combined rural post offices with telegraph facilities	8,600	14,800
4. Telex exchanges	Nil	50
5. Telex subscribers	1,000	12,000
6. Microwave systems	Nil	5,500 kms
7. Coaxial systems	6,000 kms	15,000 kms
8. Subscriber trunk dialling	11	67
9. Capital investment to telecommunications	Rs 300 crores	Rs 1,100 crores

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order received during that year was for the supply, installation and commissioning of two 2,000 line exchanges of the crossbar type from Paramaribo, *Surinam*. This order was won against keen global competition from leading telecommunication equipment manufacturers from the West. The order is worth Rs 1.3 crores. Supplies against this contract are being made on schedule.

Turnkey jobs and local manpower

In all its overseas installations, the ITI uses the minimum of its own manpower and relies to the utmost upon local talents. Its major jobs in East Africa and West Asia were planned from the very beginning on the basis of work-cum-training programme right from the installation stage. This approach not only lowers the cost of the project for the local administrations but also helps the local technicians to familiarise themselves with the equipment even before they are commissioned and taken over. The ITI is so much wedded to this concept that it proposes to ensure major local participation in its turnkey orders also.

Apart from major exchanges, the ITI exports a large variety of small and medium exchanges. For example, Australia alone imports over 100 exchanges annually. The United Kingdom has imported various sub-assemblies of telephone exchanges for use by reputed British manufacturers of telecommunication equipment. ITI's equipments are competitively priced.

For the ministerial conference and the Press Agencies Pool of Non-aligned Nations in Bentota, Sri Lanka, the ITI has designed and installed a 600-lines crossbar telephone exchange. This is a very prestigeous order for India.

Karnataka: a profile of growth

D. Devaraj Urs

(Chief Minister of Karnataka)

Remarkable progress has been made by the state of Karnataka in land reforms, housing, agriculture, irrigation, power, cooperatives, and industrial development during the past 4½ years. The chief minister is however aware that the state has still to go a long way to raise the level of living of the people to that of the prosperous states of the country.

IN KARNATAKA, the last 4½ years have witnessed a considerable investment of will and resources in development which has yielded significant dividends in terms of a higher overall growth rate and the amelioration of the living conditions of the under-privileged. The challenge of poverty is being met by an energetic response through a commitment to the goal of balanced growth and social justice – formulations which have, admittedly, become somewhat shop-soiled with use but which are, nevertheless, inescapable in the context of contemporary India.

Translated into specifics, this commitment means a whole range of programmes and schemes designed to foster popular welfare, the mobilisation of people's participation in such programmes, the activisation of the administrative machinery, and a planning apparatus with the requisite zeal and sophistication to the job. Discerning people from outside the state have commented favourably on the methodology adopted by Karnataka and the quicker pace of development stimulated by a stronger commitment to growth during the period 1972 to 1976 as well as the application of new technology and administrative innovation to the goal of increased production and fairer distribution.

Karnataka's performance during this period should be viewed against the background of the situation prevailing in early 1972 when the new ministry assumed office. It is pertinent to point out here that when the ministry took over on March 20, 1972, it inherited an overdraft of over Rs 70 crores from previous administrations and that this posed problems of considerable complexity which have been overcome by prudent financial management. Not only was this overdraft cleared but the financial affairs of the state have been placed in good order. Very shortly after the assumption of office by the new ministry, many areas of the state in the north were affected, for two successive years, by a drought of great severity. Meeting this challenge involved an expenditure of over Rs 60 crores which was usefully deployed not only in coping with the drought but in establishing lasting and productive assets in the drought-affected districts in terms of soil conservation, afforestation, repairs of tanks and bunds, road-building and improvement of rural communications.

Despite these initial difficulties, the government of Karnataka lost no time in introducing far-reaching legislation in many areas of development and distributive justice and imparting the necessary thrust to the administrative machinery for the successful implementation of these measures. Karnataka's Land Reforms legislation, which is generally acknowledged to be of a very radical and progressive nature, is being executed with all possible despatch. One notable feature of land reforms in Karnataka has been the constitution of a large number of Land Tribunals, with a substantial measure of popular participation, to facilitate speedy implementation of the programme.

The salient features of the Karnataka Act, which amended the earlier enactment of 1961— a piece of legislation which has largely remained on paper all these years—are abolition of absentee landlordism, prohibition of all leases except those of soldiers and sailors, denial of the right of resumption by landlords, vesting of all tenanted lands in government, and drastic reduction of the ceiling on holdings. Inevitably, there has been resistance from the landed interests, particularly in South Kanara District, but this is being met, and considering the magnitude of the socio-

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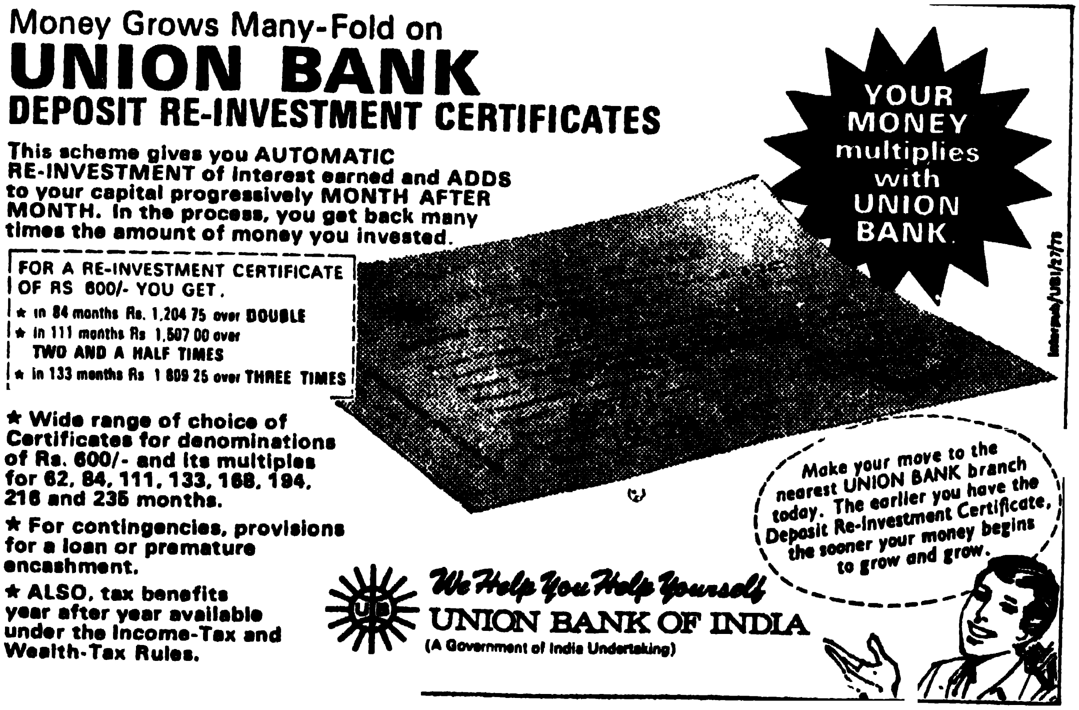
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economic transformation that is being wrought, the pace of implementation is, on the whole, satisfactory. Wherever there has been a lacuna, the government has moved in the matter and additional tribunals have been set up for the purpose of processing applications and conferment of occupancy rights. The result of the Act will be that half a million tenants will eventually become owners of two million acres of land. The cumulative effect of the programme will be that in due course Karnataka will have become a state having only small and medium peasant proprietors, each cultivating his holdings personally with the labour of his family members and the minimum of hired labour. This is no small transformation, considering that it will have been achieved in a relatively short time. The primary beneficiaries will be the scheduled castes, the scheduled tribes and other weaker sections.

Logical Sequel

A logical sequel to Land Reforms is the programme for distribution of house sites to the rural poor, which has registered striking progress during the last four years. As against the target of 726,000 more than 656,000 house sites have been already distributed; thus more than 88 per cent of families eligible for free house sites have already been covered by the programme.

Simultaneously, a very popular Janata Housing Programme has been implemented, since mere allotment of house sites to weaker sections who do not have the money to build a roof over their heads is not enough. The state government, therefore, assists through loans and subsidies these weaker sections to construct low-cost houses and in this sphere, too, there has been considerable progress.

Out of the total of 53,000 houses sanctioned in three series, nearly 35,000 houses have been completed. For the fourth series 35,000 houses have also been sanctioned and efforts are being made to complete the balance of the previous three series as well as current series before March 1977.

Rise in Production

During the period 1972-76, there has been substantial progress in agricultural production. The concrete result is a rise in the production of foodgrains from 6.1 million tonnes in 1971-72 to 7.0 million tonnes in 1975-76. In respect of cereals there has been good progress in productivity; whereas the area decreased from 5.96 million hectares in 1971-72 to 5.79 million hectares in 1975-76, production increased from 5.60 million tonnes to 6.40 million tonnes. Special efforts are also being made to boost production of commercial crops. The production of oilseeds, sugarcane and tobacco rose from 819,000, 8,776,000 and 17,000 tonnes in 1971-72 to 950,000, 9,965,000 and 26,000 tonnes respectively in 1975-76.

High yielding varieties account for over one-third of the total cereal area in the state and the coverage under them is being rapidly stepped up. Within a period of four years since 1971-72, the area under high-yielding varieties has risen from 565,000 hectares to 2.1 million hectares in 1975-76. This has resulted in increase in output accompained by a reduction in acreage, thus releasing scare land for more gainful use such as the cultivation of commercial crops.

Irrigation and power have been given very high priority, accounting for nearly 58 per cent of the Plan outlay. It must be pointed out that nearly two-thirds of Karnataka is periodically affected by drought. The percentage of irrigation in the state was just over 13 in 1971-72 and today it is 16.5. The potential created between 1972 and 1976 under major and medium projects is 155,000 hectares. The additional area irrigated by minor irrigation works is 126,000 hectares. Including the irrigation wells completed, the irrigation potential in the period increased by 310,000 hectares.

About Rs 140 crores have been invested in the years 1972-76 on major and medium irrigation. This represents over 70 per cent of the total expenditure on these projects in all the previous years. The outlay in this year's annual Plan on major, medium and minor. irrigation is Rs 56.5 crores, of which Rs 11 crores are on minor irrigation.

It is proposed to spend Rs 25 crores on the upper Krishna Project during the next two years.

Karnataka is deficit in power. The demand stemming from rapid industrialisation and agricultural operations has exceeded availability. In this respect, the states's main hope rests on the giant Kalinadi Project, which is expected to double power generation, increasing the installed capacity from 966 MW to nearly 2000 MW. The government of Kuwait has provided assistance to the tune of Rs 45 crores for this project. The state government proposes to spend Rs 18 crores on the Bedthi and Varahi projects in

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the next two years. But there is a clear case for a thermal back-up in view of the fact that Karnataka's purely hydro system is crucially vulnerable to the vagaries of the monsoon.

In regard to the cooperative movement, Karnataka has notched up a performance of which it may be legitimately proud. Recently, Mr C. Subramaniam, union Finance minister, complimented the state government on having organised the largest number of farmers' co-operative societies in India. We have organised 42 Farmers' Service Societies and 56 Sericulturist-cum-Farmers' Sevice Societies already and during this year 130 more such societies will be organised. We are now engaged in reorganising the primary societies by reducing their number and retaining only the viable and potentially viable societies. As against 8,260 societies, which exist on paper now, the number will be reduced to about 5000, through reorganisation by the end of August 1976. The main thrust is now towards universalization of membership.

Role of Cooperatives

There are nearly 3.6 million agricultural families in the state, of whom about 1.5 million are small marginal farmers. Of these, 850,000 have already been enrolled as members of cooperative societies. Besides, 1.14 million other farmers, who are neither marginal nor small, have also been enrolled, leaving about 1.6 million in all to be enrolled by the end of June 1977.

A total of Rs 67.83 crores has been advanced up to the end of May 1976 through the co-operative system on short and medium-term loans. In addition, Rs 17.57 crores of loans have also been advanced by the Land Development Bank. There has been an impressive record of lending by the Land Development Bank and the Co-operative Marketing Federation is now geared to handle transactions on a big scale. There has been also a major breakthrough in the field of marketing since 1972. World Bank assistance for comprehensive development of 53 regulated markets was secured in May 1973. When completed, the marketing infrastructure for agriculture in the state will have achieved a high degree of performance.

Debt Relief

The Karnatak Debt Relief Act was passed after the announcement of the 20-point programme. Under this Act, about 55,000 persons have got relief up to April 1976, involving a total debt amount of about Rs 291 lakhs. Every effort is now being made to ensure that the commercial banks and other financing institutions increase and simplify the disbursal of rural credit in order to fill the gap left by the gradual disappearance of the traditional money-lenders from the scene.

The state government has also come forward to subsidise the commercial banks to extend the Differential Interest Rate (DIR) Scheme to the entire state.

Identification of bonded labour and their rehabilitation have engaged the attention of the government. The Deputy Commissioners have been instructed to set up viable economic rehabilitation schemes to utilise the Rs 10,000 per bonded labour (phased over a period of two years) available from the government of India. A High-Power Board meets constantly to review and monitor progress in this field.

The industrial outlook is decidedly better in view of the expansion of the infrastructure for development achieved in recent years. The work on the gigantic Kudremukh Project, for which the government of Iran has extended a credit of $ 633 million, has already begun and when completed, this project will transform the whole economic life of Chikmagalur and South Kanara districts. The commissioning of the Mangalore Port and the Mangalore Chemicals and Fertilizers, the significant achievement by the New Government Electric Factory and the Visveswaraya Iron and Steel Works, both in terms of output and diversification, and improvement in the functioning of departmental concerns such as the Central Industrial Workshop, the Mysore Implements Factory and the Synthetic Detergent Project, to name just a few, are indicative of a trend towards better performance on a wide front of industrial activity.

During the period 1972-76, the state has succeeded in registering a perceptible increase in the number of applications and in the number of industrial approvals, representing new investment decisions. More units are being established in the backward districts. Indeed, there has been a marked orientation now towards dispersal of industries, necessary both for reducing regional disparities and avoiding over-concentration in the metropolitan cities and areas. We have also set up a Handloom Development

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As part of the 20-point programme, the government is also earnestly implementing the Minimum Wages Act, minimum wages having been revised upwards by 30 per cent during the last three years.

Despite many difficulties, impressive progress across practically the whole spectrum of development has been in evidence in Karnataka. Education, public health, transportation and social welfare have been very much strengthened. Weaker sections have been given a new deal. The planning process and machinery have improved. The state has reached a stage of self-reliance in foodgrains and has played a positive role in the national effort of export promotion and import substitution by increased production of sugar, cotton, oilseeds and silk. Karnataka's economy is now very much stronger and sounder than it was four years ago.

Karnataka is still have a long way to go, but it can be said, with a measure of confidence, that the basis, the foundation for balanced growth and social justice has been firmly laid. A qualitative improvement in the overall situation has been effected, presaging a brighter future for the people of Karnataka.

Upsurge in Rajasthan's economy

Harideo Joshi

(Chief Minister of Rajasthan)

The economy of Rajasthan has witnessed unprecedented growth during the past 12 months, according to the chief minister of the state. In this article, he has supported this thesis with facts and figures relating to (i) land distributed to farmers, (ii) absence of strikes and lock-outs, (iii) all-round improvement in tax collection, (iv) increased discipline in offices, schools and colleges and (v) rise in both savings and investment.

NEVER BEFORE in the history of free India has Rajasthan experienced socio-economic development at such a fast pace and with such efficiency as during the last 12 months.

First things first. We accorded the highest priority to land reform and management and we set about the task with the determination that the prime minister's slogan, "land-to-the-tiller" must be implemented in letter and spirit.

Between July 1, 1975 and now, 1,70,000 landless peasants have been allotted, 5,14,000 acres and a little more. Of these 60 per cent are from the harijan, adivasi and other scheduled caste families. Apart from this, in the canal project areas over 21,000 peasants have been allotted nearly 237,000 acres of fertile land.

Knowing as we did that merely by allotting land, this class of farmers cannot manage it without monetary and other assistance, we have enlisted all of them in cooperatives. Thus they are entitled to low-interest cooperative credit and other necessary farm inputs.

For 25 years and more, the former maharajas and other kulaks refused to budge before the Ceiling Act passed by people's representatives in the Vidan Sabha. All our efforts at acquiring their huge estates were thwarted by legal impediments. But thanks to the bold measures initiated by Indira Gandhi last year, we were able to acquire in less than six months after the imposition of emergency 56,590 acres of such estates for distribution among peasantry living below the poverty line. I am inclined therefore to call this period normal—normal for any socialist democratic state aspiring to occupy an honourable place among the comity of nations. Not Emergency.

From other big kulaks, we acquired in the same period some 586,000 acres. Of this, we have already distributed 170,000 acres among a little over 26,000 harijans and adivasis and other landless peasants.

For me personally, it is a treat to visit rural Rajasthan now. Joy is writ large on the faces of farmers and their families. Their children reflect a new sense of hope. In fact, if someone were to ask me: "Tell me, Joshi, what do you think is the greatest achievement of India during the last 12 months," I would say:

"Psychological transformation of our people."

We are perhaps too near history to be able to assess objectively the situation in India today. But future historians will certainly record that Indira Gandhi converted a pessimistic lot into a great people --people with a sense of direction, zeal and enthusiasm.

Time meant nothing to us not long ago. Now the situation is refreshingly different. Punctuality is the key word now in both private and public institutions. No longer do our factories remain shut indefinitely with workers (misguided as they were) marching on the roads, sometimes squatting and dislocating life. During July 74–March 75, 44 lock-outs or strikes involving 15,790 workers cost us 114,705 mandays. But between July 75-March 76 (the period for which statistics are readily available) we maintained industrial peace so essential for increased production. An incident here, an incident there was promptly resolved.

Thanks to the new sense of discipline, for the first time since independence we went through a very peaceful academic session. Invigilators in the examination halls had not to we be hospitalised. Naturally, we have had better results, too, in every academic examination. I am really proud of our boys and girls. Now a large number of them are particip-

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ating in a literacy campaign in and around Jaipur. What a change!

I have been a member of the Rajasthan cabinet for over 10 years now and chief minister for some 33 months. But never before could I get things done as fast as in the last one year. Indeed, this one year has been a golden year.

We collected during 1975-76 Rs 130.80 crores by way of state taxes, much of it after the proclamation of emergency. In the previous two financial years collections on this account were Rs 90.67 crores (1973-74) and Rs 106.14 crores (1974-75).

Similarly the recovery of loans of Rs 14.55 crores during the financial year in which emergency was proclaimed was 50.6 per cent more than in 1974-75 and 108.3 pe rcent more than in 1973-74.

To eliminate wasteful expenditure in the administration, we have reduced the staff by over 2,800 in 35 departments. As a result, I have saved three crores of rupees to the exchequer annually.

Thanks mostly to the dramatic curb of inflation and stabilisation of prices, people have started investing more liberally in small savings-compared to an investment of only Rs 8.20 crores in 1974-75, after the proclamation of emergency until the end of March 1976 (that is in less than one year) we attracted as much as Rs 15 crores to small savings.

We collected Rs 15.62 crores during 1975-76 by way of land revenue whereas in the history of Rajasthan revenue through this source had never been more than between Rs 6.5 crores and Rs 12 crores.

The Planning Commission wanted the state to mop up Rs 100 crores of additional resources for investment in development projects, the result of our introducing a variety of measures is that we might collect Rs 175 crores—75 per cent increase. Our investment on development projects during the first year of emergency will be over Rs 142 crores. The Planning Commission had approved an investment of only Rs 105.5 crores.

A year of achievements in Delhi

Radha Raman

(Chief Executive Councillor)

> In this review of Delhi Administration's achievements in the past, the pride of place goes to the family planning programme. The Chief Executive Councillor seems to be confident of raising the total number of sterlizations in Delhi to 100,000 this year.

As I look back at the performance of our administration in the past one year, I experience a strong sense of relief and triumph the like of which I have never experienced before. I can say with pride that Delhi administration has been able to justify the hopes and plans of the prime minister in carrying out successfully her 20-point programme.

The fifth Plan has put the target of covering at least 38 per cent of population under family planning programme, especially in the procreative age group. The Delhi administration has already achieved up to 60 per cent. The national average is 18.2 per cent. The achievement for 1975-76 in sterilization cases was 20,264 against the target of 8,397. This has encouraged us to set for ourselves a target of 100,000 sterilizations this year. We are going to beat this target too because we have already reached the level of 30,000 sterilizations.

The administration has gone ahead in its programme for economic and social assistance to the poor and backward classes. Under this programme, a plan for distribution of land to the landless poor and harijans was launched by Lt. Governor, Mr Krishan Chand on July 14, 1976 at village Jaunty. About 874 families were given 800 acres of land in the first go. During the last one year, a total of 4538 landless families received 4156 acres of land. Sixty per cent of these were harijans.

Those of the poor who did not have houses were given free sites. Under the programme 7906 families—half of which were harijans—were given housesites and most of them have already built houses for themselves.

Delhi has about 14,000 families that do not own a house or a housesite. All of these families will be provided with housesites. Similarly about 3,000 acres of land now illegally under the possession of individuals will be taken over and distributed among the landless. This land originally belonged to *Gaon Sabhas*.

Another important step that has been taken relates to the educated unemployed. A scheme whereby they could give employment to themselves was drawn up. It is now under implementation. These people are provided with refresher courses in their respective trades and then given work-sheds and machinery to start production. Most of them are already exporting their products. A total of 865 worksheds have been built. Each of these worksheds employs about 20 skilled and unskilled persons.

The de-hoarding drive during the past year has borne good result. There is not a single commodity today which is not easily available and at a comparatively lower price than the price prevailing before the emergency.

An extensive check of bogus units on ration cards revealed a million such units. The result of this drive was that 42,500 quintals of cereals and 6,000 quintals of sugar could be saved. The quantity used to find its way into the black market.

To keep prices at a stable level, the administration has started distributing all essential items through cooperative stores and fair price shops. There are at present 253 co-operative stores and 21,000 fair price shops in both rural and urban Delhi.

Display of prices of commodities on sale and price tags on each article and proper accounting of stocks have also had a good effect in holding the price line. Besides the administration also ordered a reduction in prices. The prices in general, were reduced by five paise a kilo for maida and suji, by nine paise a kilo for resultant atta, by five paise per loaf of bread weighing 400 gm and by 10 paise per loaf of bread weighing 800 gm.

As a further measure to keep prices of essential commodities stable, 97 fruit and vegetable shops were opened. These shops are run by the Delhi Cooperative Vegetable Growers Federation and sell vegetables at 20 per cent less than the market prices.

On the education front the administration has intensified adult literacy drive through student-teachers under the slogan 'each one teach'. Tented schools have been converted into tubular structures, 853 book bank have been opened and free books to the poor students have been supplied.

The beautification campaign is still on. The areas around Jama Masjid and Idgah are a sight for the eyes. They have been developed to give the monuments proper setting. About 1000 shopkeepers squatting on the steps of Jama Masjid have been accommodated in regular shops.

The gigantic task of developing 27 colonies with 50,000 dwelling units also has been accomplished. The people living in sickly, in-human slums have been shifted to newly developed resettlement colonies and given a new hope in leading a claan and healthy life. These colonies are being provided work centres so that the inhabitants may get training in crafts and later go into production to better their economic condition. Besides 100,000 new dwellings will be constrtucted during the current year for housing Janta and Low Income Families.

Transport in the city has much improved. The administration solved the problem of transport partly by issuing 200 permits for mini buses and thereby giving employment to 200 unemployed graduates.

The administration is determined to keep up this tempo so that the socio-economic evils in this region are eliminated.

UP's march towards plenty and prosperity

Narayan Datt Tiwari

(Chief Minister of Uttar Pradesh)

The multi-pronged attack on different sections of the economy of the state has resulted in general improvement in production. Fully aware that the state has lagged behind in industrial progress Mr Tiwari has listed in this article the various measures which have been taken by the government to accelerate the pace of economic development.

DURING THE past one year, the people have realised that it is only through discipline and hard work that our freedom can strike deep roots. It has been a year of substantial achievements in Uttar Pradesh particularly in giving a new deal to the weaker sections. The generation of an atmosphere of discipline and peace on the industrial and labour front and the significant improvement in the law and order situation created a climate for the much-needed quicker and speedier development of the state.

For the first time efforts were made to link the decision-making process with the local needs and problems at the grass-root level. To achieve this aim divisional sub-committees of the cabinet were consistituted and meetings were held outside the state capital in different regions of the state. This has helped in gaining valuable insight into local problems, assessment of local needs and on-the-spot decisions.

In our philosophy and strategy for development we have given top priority to strengthening our agricultural base and to bringing it on par with that of the most advanced agricultural states or the equally advanced areas of western UP. On this base we will be able to build the pyramid of our industrial development. We have to harness not merely the administrative machinery but also the cooperative and banking sectors, the enthusiasm of our youth and above all the energies and dedication of all those who have pledged themselves to the successful implementation of the prime minister's 20-point economic programme.

The buoyancy in agricultural production during the emergency year, when the total rabi production touched a new high of 12.0 million tonnes as against 10.6 million tonnes last year, has strengthened the base for industial growth. Another significant achievement of the year was in respect of fertilizer distribution, which totalled 487,000 tonnes, exceeding last year's distribution by 77,000 tonnes. Adulteration in fertilizers was also curbed with a strong hand and complaints about adulteration and under-weighing were reduced to almost nil this year.

The incentives provided by the government for entrepreneurs, of late, the availability of power, iron, coal and steel; better utilisation of available resources; credit and inventory control; curb on speculative tendencies and price fluctuations and a feeling among the workers that they are not merely mute instruments of production but conscious participants in the apparatus of production, have given a fillip to industrial activity and greatly helped in creating a healthy climate and building a stronger industrial base in the state. With a large number of entrepreneurs from far and near, coming forward to set up their units in the state, we can confidently look forward to a bonanza on the industrial front in the years to come.

In fact, creation of a stonger industrial base and acceleration of the tempo of industrialisation in the state are the twin aims of the policy of the government towards industries. Greater emphasis is being laid on dispersal of industries and adoption of new strategies and programmes for speedy development of the industrially backward areas with a view to reducing regional imbalances. Steps for the expansion of public sector have been taken to hasten the pace of industrialisation. Production of consumer-based industries such as taxtiles, sugar and cement is being encouraged.

Twentyone new cooperative sugar mills are being established in the state to ensure full utilisation of the industrial raw materials produced by our farmers. The factories at Kaiamganj (Farrukhabad), Rasra (Ballia) and Sathiaon (Azamgarh) have already been commissioned and five more factories are expected to go into production early next year. Orders have been placed for the supply of machinery for eight more sugar mills and preliminary work for starting 10 other mills has been undertaken.

Sugar Production

Besides, the UP State Sugar Corporation has undertaken to established sugar mills of 1,250-tonne capacity at Nandganj (Ghazipur), Chhata (Mathura), Chandpur (Bijnor) and Dariyapur (Rae Bareli). With the setting up of these factories a fresh net-work of rural roads and availability of of power will have been introduced in some of the hitherto untouched rural areas. Not only this, it will also introduce the farmers of such areas to the most advanced agricultural technology and will help to modernise their outlook. And finally, it will revamp the economy of millions of our farmers.

The functioning of the state's biggest public sector undertakings—the cement factories at Churk and Dalla in Mirzapur district—was streamlined as a result of which production of cement increased from 530,000 tonnes in 1974-75 to over 700,000 tonnes in 1975-76. With the expansion of the Dalla factory, the production capacity of cement was expected to increase by about 1.68 million tonnes per annum.

Handloom Sector

The handloom sector is specially important since there are more than 560,000 looms in UP. Schemes have been taken in hand which will help a vast number of people who are economically not so well off. Special programmes have been undertaken for the Bhadoi carpet weaving industry. Of the 20 spinning mills to be set up in the state, eight mills of 25,000 spindles capacity each are being set up by the UP State Textile Corporation. Of the remaining 12 mills, four are being set up in the cooperative sector and eight in the joint sector. The Rae-Bareli spinning unit of the UP State Textile Corporation has already gone into production and four more spinning mills will be commissioned shortly. Similarly, for the handloom workers in the Gorakhpur-Basti complex an intensive development programme in designing, weaving and dyeing has been taken in hand. Moreover, four spinning mills are being set up in the cooperative sector for increasing the supply of yarn and assuring that proper quality yarn at reasonable price is available to every weaver.

The state has gone in for the prestigious New Okhla Industrial Development Authority (NOIDA)—an industrial complex near Okhla in Bulandshahr district, where more than 10,000 industries are expected to come up shortly and Rs 10 crores will be spent this year on developing this complex. The response from industrialists and their demand for plots at Okhla has so far been very encouraging. Meanwhile, the state government has launched an ambitious scheme for establishing 32 industrial complexes for specified industries in different parts of the state. For example, an export-oriented readymade garments complex is to be set up at Loni in Meerut district, a sports goods complex at Meerut, bicycle part complex at Secunderabad in Bulandshahr district and so on. Besides, nearly 3,000 new small scale units will be set up during the current financial year on the basis of potentialities indentified during industrial surveys of districts conducted by lead banks in each district.

Entrepreneurs are being offered a package of assistance in accordance with the new strategy evolved for the development of backward areas.

I am confident that the industrial backwardness of the state will be a thing of the past in the next decade or so because vigorous efforts made recently have started bearing fruit.

At the same time, the state government has rationalised, simplified and even reduced sales tax on various items to encourage industrial and economic activity. The various state corporations are ever eager to help the intending entrepreneurs. The Pradeshiya Industrial and Investment Corporation, UP, Financial Cor-

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poration, Small Industries Development Corporation, Leather Corporation, Brassware Corporation and Handloom Corporation give help to industrialists not merely in obtaining loans and in securing state participation in joint sector ventures but also in solving their problems, if any, with various departments of the government.

Accent on Agriculture

Out of the approved plan outlay of Rs 540 crores for the current financial year, as much as Rs 337 crores have been provided for irrigation and power, and another Rs 67.90 crores for agriculture and allied activities. The state has undertaken to add more than 2.8 million hectares out of the national target of 5.0 million hectares additional irrigated area, under the 20-point programme. In fact massive efforts are being made to increase the present 40 per cent assured irrigation to 60 per cent by the end of the fifth Plan period. Towards this end the biggest irrigation project of the country, the Sarda Sahayak project, is being brought to fruition two years in advance, i.e. by 1978, as against the original target of 1980. Similarly, work has already been initiated for the early completion of the Ram Ganga and Gandak projects. Simultaneously, Kosi, Khera, Chilimal, Augasi, Deokali and Adva Dam projects will be completed during this year.

The state was able to create a total potential of 578,000 hectares during the last 12 months. The major irrigation schemes alone created potential of 448,000 hectares this year. To achieve this higher financial allocations have been made for all these projects. The state has approached the centre for a financial assistance of Rs 87 crores for the current year's programme which includes launching of the massive tube-wells construction campaign.

Realising the urgency of augmenting the irrigation potential, the new state government, immediately after it took over in January 1976, made an unprecedented additional allocation of Rs 12.5 crores for irrigating an additional 100,000 hectares, the impact of which will be felt during the current kharif season. This was sought to be achieved by putting into generation nearly 2,100 tube wells, which had been lying idle because of lack of funds, because of which either they could not get power connections or some vital machinery was not there or because their irrigation channels had not been constructed.

Tubewells Energised

The state government is also launching a programme for constructing 2 250 state tube wells this year and it is expected that this method of irrigation will ensure more economy in the use of water and will also simultaneously help to electrify the countryside. In all 7,000 more tube wells are proposed to be sunk during the fifth Plan period. By mobilising, through a mass campaign, local effort in the shape of *shramdan*, the state was able to construct over 11,000 kilometres of *guls* as against the target of 4,000 kms in a record time for carrying the last drop of water to the last inch of the last field.

Along with irrigation I have sought to put every single paisa that I could into maximising ous power potential. As a result, it is heartening to note that the installed capacity of power generating in the state, which now stands at 2,203 MW will go up to 2,865 MW an increase of nearly 660 MW, by the end of the year. By the end of June, 1976, itself, the Panki power station in Kanpur has added 110 MW and the Ramganga second unit, 66 MW. It is because of this that applications for power connections, which had been pending since 1973, have all been cleared and we are in a position to assure that every industrialist and every entrepreneur who comes to UP, will be given power for his industry. There is power not merely for industry but also for agriculture. The utilization of the existing installed capacity is higher than ever before and, in fact, at the moment we are selling some surplus power to Madhya Pradesh and Rajasthan.

To plan and provide for the future and to keep our electricity rates low for the future, the prestigious Tehri Dam project and the Lakhwar-Byasi project, which are expected to generate 600 MW and 480 MW, respectively, have been included in the state Plan. Advance action and blueprint preparation for a number of major irrigation and power projects have also been initiated.

Moreover, to ensure that the generated power reaches the consumer, almost 8,000 missing or burnt transformers have been replaced, transmission and distribution lines overhauled and construction of a large number of major substations of 132 KV and 220 KV taken in hand. So far 8,932 private tube-wells and 544 state tube-wells have been energised and 737 villages and 812 harijan bastis have been electrified in recent months. A massive 'Janta Service Connection" scheme has been launched to give power connections

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to the weaker and economically backward sections at cheaper rates. The scheme envisages illumination of 100,000 huts and houses of the have-nots in the sprawling rural area of the state.

The availability of irrigation and power will automatically increase agricultural production but we have decided to set up a soil testing laboratory in each district, so that the farmer applies fertilizer dosages in strength, learns what pesticides to apply to his field and treats his soil for acidity or alkalinity. The Small Farmers' Development Agency (SFDA), Marginal Farmers' and Agricultural Labourers' Development Agency (MFAL) and Drought Prone Area Project (DPAP) schemes, which have been launched in a big way and are of special help to millions of our farmers.

Good seeds, good crop

O. S. Rakesh

The reorganisation of seed industry in India recieved a new direction in 1975-76 by making available high quality certified seeds of the latest varieties and hybrids to the farmers in remote areas thus bringing about a real agricultural revolution.

THE SEED industry in our country received a new direction during 1975-76, when it was reorganised to make high quality certified seeds of the latest varieties and hybrids available to the farmers in remote areas and thereby bring about a real agricultural revolution. The National Seeds Corporation (NSC) and the State Farms Corporation of India (SFCI) contributed significantly towards the formulation of the new policies of the government of India besides increasing their turnover setting new records of achievements.

The operations of the SFCI and the NSC covering production, processing and marketing were integrated. It would lead to the maximum area of the farms of the SFCI being used for the production of high-quality foundation and certified seeds and the NSC would streamline and strengthen its efforts in the field of seed processing and marketing. In pursuance of this new approach, for the processing facilities were increased threefold, the system of custom production of seeds was introduced, quality control measures were strengthened, bulk-storages and bulk movement of seeds were arranged to ensure timely availability of seed at different places. Strong emphasis was put on the building up of a marketing net-work ultimately aimed at seed availability to the farmer within a distance from his field which can be reached by a bullock cart.

A number of plans were drawn up to overcome shortcomings in different areas of operations, namely, (a) reclamation of culturable waste area, (b) development of area already under cultivation, (c) development of adequate irrigation facilities, and (d) taking steps to provide drainage system, construction of soil erosion control measures etc. A complete review of the central state farms was undertaken so that none-too-satisfactory overall performance of the NSC until the year 1975-76 could be considerably ·improved. An appraisal of what we were doing and what we should do and how we should plan for future so as to establish the importance of this important public sector undertaking in the agriculture sector, was made. A separate Farm Development Section was set-up at the head office and Land and Water Development Wings were established at various farms to plan and execute programmes of development. The existing irrigation facilities were augmented and acreage under assured irrigation increased from 21,600 acres to 27,215 acres.

These action-oriented plans helped in increasing average yield per acre at different farms. The average yield per acre of paddy recorded since inception was five to seven quintals per acre until 1974. During the kharif season of 1975, the average yield per acre of paddy was 12.29 quintals, recording hundred per cent increase. Similarly, in the case of potato, the per acre average yield recorded was 20 to 40 quintals until 1974-75. The average per acre yield of potato recorded during 1975-76 was 62.68 quintals. In the case of wheat, maize, gram etc also, there has been steady increase in the per acre average yield at the

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Central State Farms. The total production at the farms at the end of May, 1976 rose to 450,000 quintals (for 11 months) as against 360,000 quintals registered during the year 1974-75 (for 12 months upto June 30, 1975). The estimated turnover of SFCI (as at the end of June, 1976), was Rs 6.7 crores compared to the previous year's (1974-75) turnover of Rs 3.5 crores only.

The SFCI also prepared development plans for those of its farms involved in the National Seeds Programme so as to put them on sound basis for undertaking the production of foundation and certified seeds on behalf of the NSC and the concerned State Seed Corporations. The corporation operates large farms in all the states where State Seed Corporation are being set-up except Maharashtra and owns as much as 36,000 hectares of land out of which 26,300 hectares are culturable. It has been decided that the SFCI would participate in each State Seed Corporation as a shareholding grower and its shares would be in proportion to the land to be offered for certified seed production.

The NSC being the national agency charged with the task of promoting and developing a healthy seed industry in India by assuming leadership at the national level acted as chief coordinator of the new seed industry's plans and operations. It prepared itself for taking up the new role assigned to the NSC, namely, (1) planning and coordination of seed production and seed demand assessment, (2) planning and arranging the production of foundation seed varieties of all India and regional importance and organising inter-state marketing of certified seeds including the setting up of bulk and transit storages, undertaking export of certified seeds, making intensified efforts for increased production of certified seeds of popular vegetable varieties, carrying out promotional activities, providing consultancy services, publicity and extension services and maintenance of reserve stocks of foundation and certified seeds. The new direction given to the NSC's plans and operations was in accordance with the overall guidelines of the government of India. The important role of the corporation aiming at manifold increase in seed production and supply was viewed by the World Bank Appraisal Mission on National Seeds Programme in the following words:

"We firmly believe that NSC has the pivotal role to play in planning all India seed production and in ensuring that expansion and development take place as planned. Without a strong NSC to provide coordination and technical support, the newly emergent SSCs are unlikely to be welded into cohesive national seed industry."

Even when the NSC was playing its important role in giving a new shape to the Indian seed industry during this year, its operations all-round showed sound results. It set a new record of achievement by increasing its turnover to about Rs 23 crores compared to last year's Rs 16.45 crores and Rs 8.47 crores the year before, in addition to expanding its services of quality checks, seed processing, sales promotion and extension and expanding considerably vegetable seed production programme.

NMDC a Foreign Exchange Earner and Supplier of Iron Ore to the Growing Steel Industry in India

NMDC—a subsidiary of SAIL—was formed on Nov. 15, 1958 primarily for the exploitation of India's mineral resources, with the accent on iron ore to help the steel industry in India grow at the rate it is doing. NMDC has set up iron ore plants and complexes in some of the toughest territories in the land, making the earth give plentifully of its rich mineral wealth. NMDC alongwith the Japan Steel Mission, in 1968 completed India's first iron ore mine in Kiriburu. Till 1972 the Kiriburu mine had exported over Rs. 610 million worth of Iron Ore to Japan. Later, Bailadila, Asia's biggest iron ore complex was completed in April, 1968 and has an annual capacity of 3.6 million tonnes of lump ore. And so far has exported over Rs. 1700 million worth of iron ore.

Projects in progress : The mine at Deposit No. 5 at Bailadila—the most massive single deposit in the whole range containing 206 million tonnes of iron ore reserves is under construction, and should be ready for export by the end of 1976-77. A mine at Meghahatuburu is being designed to produce 1.20 million tonnes of lump ore and 2.6 million tonnes of fines to meet the requirements of the second stage of the Bokaro Steel Plant. This project is scheduled for completion by 1978-79.

Another mine at Donimalai is expected to yield 0.81 million tonnes of sized ore and 2.25 million tonnes of fines by 1976-77.

NMDC also did the entire prospecting and proving of the magnetite quartsite iron ore deposit in the Kudremukh area near Mangalore, pilot testing work and techno-economic feasibility study of the deposit, preparation of the detailed project report and its revision and updating, for purposes of developing it for supply to Iran.

NMDC is also conducting feasibility studies for iron ore projects at :

i) Deposit Nos. 4, 11-C and 13 in the Bailadila range of Madhya Pradesh.
ii) Ramandurg and Kumaraswamy in the Bellary Hospet region of Karnataka.
iii) Malangtoli Deposit in Orissa.

In tune with the Prime Minister's 20-Point Programme, NMDC is involved in sustaining small industries, as well as developing backward areas by providing housing, medical aid, education, etc. to tribals and other underdeveloped people and areas;

During its 17 years of existence, NMDC has come a long way on the road to self-reliance. And has set its aim at ushering in a new era of prosperity through hard work, iron will and discipline.

NMDC

(A subsidiary of the Steel Authority of India Limited)

FR 5,119 kilowatt-hours respectively. Of the total world consumption in 1974, the USA consumed 31.7 per cent, the USSR 15.4 per cent, Japan 7.4 per cent, Germany FR 5.1 per cent, the UK 4.4 per cent and Canada 4.3 per cent. According to the study, these were also the only countries in the world having more than 50 million kilowatts of installed capacity of electric generating plants.

In the period 1950-74, 20 countries were added to the 79 countries that in 1950 were generating hydro-electric power. Although hydro-electricity is non-polluting, its rate of growth remains less than that for electricity from other sources.

The world's exports of electricity from 1950 to 1974 increased at an average annual rate of 12.4 per cent. In 1974 the amount exported was 96.7 thousand million kilowatt-hours: the leading exporters of electricity in order of magnitude were Canada 15.9 per cent; the USSR 12.01 per cent, Germany FR 10.3 per cent, Switzerland 9.8 per cent and France 6.8 per cent.

The ranking importers: Germany FR, the USA, Sweden, France, Switzerland and Czechoslovakia have not changed their import ranking in 25 years.

Nuclear power stations accounted for 234 thousand million kilowatt-hours. This was 3.7 per cent of the total electricity production in 1974. The annual average increase in production from 1964 to 1974 was 32 per cent. Since 1956, when the production of nuclear energy first commenced in the United Kingdom, 19 countries areas have begun production. The most recent producers were Pakistan (1971), Czechoslovakia (1972), Argentina and Bulgaria (1974).

The three pioneer producers of geothermal electricity, Italy, New Zealand and the United States, were joined by Japan (1967), Iceland (1969) and Mexico (1970).

The period 1950 to 1974 saw a marked decline in the use of solid fuels and their replacement by liquid petroleum fuels and natural gas. The global share dropped from 61.5 per cent in 1950 to 31.7 per cent in 1974.

However solid fuels remain the major source of energy consumption in some countries. In Korea (DPR) 92 per cent of total energy consumed is from solid fuel. Other countries with high production of solid fuel consumption:

Poland and China 84 per cent, Viet-Nam 82 per cent, India 72 per cent, S. Rhodesia 68 per cent, Bulgaria 51 per cent, South Africa 83 per cent, Czechoslovakia 76 per cent, German DR 71 per cent and Mongolia 62 per cent.

Of the 10 largest consumers in 1950 only France and Canada dropped out to be replaced by India and Czechoslovakia in 1974. These top 10 consumers, consumed 83 per cent of the 1974 world consumption in solid fuels :

The USA 19.8 per cent, Poland 5.2 per cent, Japan 3.4 per cent, Czechoslovakia 3.0 per cent, the USSR 18.7 per cent, the UK 4.6 per cent, India 3.3 per cent, China 17.5 per cent, Germany FR 4.5 per cent and German DR, 3.3 per cent.

Courtesy : UN Centre for Economic and Social Information.

Industrial countries and the flow of capital

The Balance of Payments Division of the IMF Research Department has come to the conclusion that despite heavy outflow of capital in the second quarter of 1975, the industrial countries as a group succeeded last year in registering a small favourable balance of SDR 0.265 billion.

PROVISIONAL FIGURES for the first quarter of 1976 on the overall surpluses and deficits in international payments for all countries have these chief features: (1) a large deficit of nearly SDR 2 billion recorded for the industrial countries, which a year earlier had run a surplus of some SDR 0.7 billion; (2) a shift of the oil producing countries overall balance from surplus of over SDR 3.7 billion in the first quarter of 1975 to a deficit of over SDR 0.2 billion a year later; (3) a surplus of nearly SDR 1.4 billion produced collectively by the other primary producers, who had been in deficit in each quarter of 1975, and whose deficits totalled SDR 6.5 billion for that year; and (4) a swing from a large positive asymmetry of SDR 3.2 billion in January-March 1975 to a negative one of some SDR 0.7 billion in the first quarter of 1976.

Because the figures are provisional it is not possible to draw any firm conclusions; however, the fact that the residual is negative and small would imply that during the period under review there were no large placements of official reserves into non-conventional reserve assets, i.e. assets other than US dollars and sterling held in the form of direct claims on the issuing countries. Such placements seem to have been one of the features of the earlier period.

For 1975 as a whole, the industrial countries had experienced a heavy net outflow of capital, most of which, however, had been offset by a relatively large collective current account surplus. In the first quarter of 1976, the current account surplus was virtually eliminated. At the same time, the net outflow of capital was small in comparison with 1975—when it had totalled SDR 14.3 billion—although it was relatively large in comparison with the first quarter of that year. The outflow of somewhat over SDR 2 billion was, as usual, a net result of largely offsetting and quite sizable flows recorded for individual countries. Similarly, the weakening of the current account was rather unevenly spread among the countries concerned. One of the reasons underlying this development, which followed a very marked strengthening of the industrial producers, current account positions between 1974 and 1975, was the renewed upsurge of oil imports by many of these countries after mid-1975; it began to make itself felt toward the end of that year.

Virtually no details are available on the balance of payments of the non-industrial countries for the first quarter of 1976. A large part of the weakening of the overall position of the oil producing countries between January-March 1975 and the same quarter this year was due to a swing of SDR 2 billion in Venezuela's position from surplus to deficit while the overall surplus of Saudi Arabia declined by some SDR 2.5 billion. The only countries to show any marked strengthening were Algeria, Indonesia, and the Libyan Arab Republic; the payments position of other oil producing countries weakened in varying degrees.

The strengthening of the payments position of "Other Primary Producing Countries" was attributable both to the more developed countries and to the less developed nations. The latter showed, between the first quarter of 1975 and the first quarter of 1976, an increase in their surpluses which amounted to SDR 1.5 billion, largely owing to the strengthening of the payments situation of the countries of "Other Asia," while the countries of "Other Western Hemisphere" also experienced a markedly favourable development as a group. These changes were partly offset by the weakening of the position of the non-oil producing countries of the Middle East.

The sharp decline in the deficit of the more developed primary producers—by over SDR 1 billion from the first quarter of 1975—was attributable to a relatively large number of countries, of which Turkey showed the most improvement, however, its overall deficit had been exceptionally large in the first quarter of 1975.

Overall Balance of International Payments[1]

(Million SDRs)

	1975		1975			1976
	I-IV		II	III	IV	I[2]
Industrial Countries	265	685	—1,502	736	346	—1,969
Austria	992	196	137	415	244	—36
Belgium-Luxembourg	438	391	99	—24	—28	—1,100[4]
Canada	—314	—31	—380	15	82	100
Denmark	—24	—182	49	100	9	—435
France	2,916	490	1,021	292	1,113	—2,392
Germany, Fed. Rep. of	—702	1,720	—1,348	—884	—190	3,260
Italy	—2,132	—87	48	—1,173	—920	—1,000[4]
Japan	—547	477	379	—1,007	—396	1,198
Netherlands	278	158	—313	203	230	180[4]
Norway	246	—169	283	74	58	—100[4]
Sweden	1,049	74	474	247	254	150[4]
Switzerland	1,336	—83	—186	—185	1,790	—385
United Kingdom	—50	—152	—251	402	—49	—479
United States[3]	—3.221	—2,117	—1,514	2,261	—1,851	—930
Oil Exporting Countries	8,444	3,729	2,443	—681	2,953	—238
Algeria	—249	—492	26	160	57	148
Indonesia	—724	—446	—229	—176	127	149
Iran	257	—52	1,093	—638	—146	—550
Iraq	—421	—295	—253	—148	275	—309
Kuwait	235	244	—28	—71	90	116
Libyan Arab Republic	—1,144	—510	—505	—184	55	211

—*Contd.*

Overall Balance of International Payments—*Contd.*

(Million SDRs)

	1975	1975				1976
	I-IV	I	II	III	IV	I[2]
Nigeria	135	371	87	—444	121	—297
Saudi Arabia	7,436	3,791	1,484	280	1,881	1,234
Venezuela	1,957	793	737	264	163	—1,188
Others[5]	962	325	31	276	330	248
Other Primary Producing Countries	—6,493	—1,225	—1,248	—2,511	—1,509	1,375
More Developed Countries	—3,732	—1,275	—229	—702	—1,526	—182
Australia	—776	25	261	—291	—771	—40
Finland	32	—4	69	—23	—10	—41
Greece	—152	—96	—28	6	—34	—33
Iceland	—16	—12	—	—9	5	—6
Ireland	225	—33	88	3	167	148
Malta	83	6	27	15	35	—7
New Zealand	—277	—64	24	—174	—63	86
Portugal	—636	—171	—29	—218	—218	—179
South Africa	—423	39	—357	—184	79	155
Spain	—796	—486	—9	141	—442	—227
Turkey	—848	—501	—171	—64	—112	—138
Yugoslavia	—148	22	—104	96	—162	100
Less Developed Countries	2,761	50	—1,019	—1,809	17	1,557
Other Western Hemisphere	—2,078	—801	—1,172	—365	260	95
Argentina	—878	—323	—267	—195	—93	—119
Brazil	—739	—581	—633	32	443	—
Mexico	135	61	—61	—44	179	—24
Other	—596	42	—211	—158	—269	238
Other Middle East	112	784	255	—797	—130	174
Other Asia	—328	225	71	—504	—120	1,335
Other Africa	—467	—158	—173	—143	7	—47
Total	2,216	3,189	—337	—2,456	1,790	—832
World Monetary Gold Holdings	—51	—27	—10	—8	—6	—174
South Africa	—18	—14	—8	15	—11	—171
Other	—33	13	—2	—23	5	—3
Asymmetries, errors and omissions	2 267	3,216	—297	—2,448	1,796	—658

1. Overall balances are measured here by changes in official gold holdings, in SDRs, in reserve position in the Fund, in foreign exchange reserves, in other officially held foreign assets, in use of IMF credit and, where data are available, in liabilities to foreign monetary authorities. With the sign reversed, the overall balance equals changes in official holdings of gold, SDRs, reserve position in the Fund, official foreign exchange reserves, other officially held claims on non-residents, and in liabilities to foreign monetary authorities; changes resulting from changes in the value of currencies relative to the SDR are included.
2. Preliminary.
3. Official unrequited transfers other than aid are included in the current account.
4. Estimated or partly estimated by the Fund staff.
5. Comprise Bahrain, Ecuador, Gabon, Oman, Qatar, Trinidad and Tobago, and the United Arab Emirates.

देश के निर्माण कार्य में रत

खजुराहो ब्रान्ड

चेतक ब्रान्ड

SATNA CEMENT WORKS
BJM
KHAJURAHO
PORTLAND CEMENT

BIRLA CEMENT WORKS
BJM
CHETAK
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की
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सीमेन्ट

सतना सीमेन्ट वर्क्स
सतना (मध्य प्रदेश)

बिड़ला सीमेन्ट वर्क्स
चित्तौड़गढ़ (राजस्थान)

प्रो० बिड़ला जूट मैन्यूफेक्चरिंग कं० लि०, कलकत्ता-१
(सीमेन्ट डिवीजन)

TRADE WINDS

State Loans

THIRTEEN STATE governments have announced the issue of their new loans bearing interest at 6 per cent per annum for amounts aggregating Rs 171.50 crores as under : Andhra Pradesh Rs 11.50 crores; Assam Rs 7.50 crores; Bihar Rs 14.00 crores; Gujarat Rs 17.50 crores; Karnataka 17.00 crores; Kerala Rs 9.75 crores; Madhya Pradesh Rs 8.75 crores; Maharashtra Rs 13.50 crores; Orissa Rs 14.00 crores; Rajasthan Rs 21.00 crores; Tamil Nadu Rs 13.50 crores; Uttar Pradesh Rs 10.00 crores; West Bengal Rs 13.50 crores; and Total Rs 171.50 crores. All the above loans will be issued at Rs 99.00 per cent and will open for subscriptions on Tuesday, August 24, 1976, and close on Saturday, August 28, 1976 or earlier without notice as soon as subscriptions approximate to the amount of each issue. All the state governments reserve their right to retain subscriptions up to ten per cent in excess of the notified amounts.

Tax Exemption

The loans will be redeemable at par after 10 years i.e. on August 24, 1986 and interest will be paid half-yearly on February 24 and August 24 each year. Interest in respect of all loans will be liable to tax under the Income-tax Act, 1961. Interest on government securities along with income in the form of interest or dividends on other approved investments will be exempt from incometax subject to a limit of Rs 3,000 per annum and subject to other provisions of Section 80L of the Income-tax Act, 1961.

The value of investments in the loans now issued together with the value of other previous investments in government securities and the other investments specified in Section 5 of the Wealth Tax Act 1957 will also be exempt from the Wealth Tax up to Rs 1,50,000.

Securities of the respective state governments or the predecessors maturing this year will also be accepted at par for conversion into the new loans of the respective state governments. If the cash value of the securities tendered for conversion is not an exact multiple of the issue price per cent of the new loan, the tenderer will receive in cash at the time of issue of the new securities the amount by which the value of the securities tendered exceeds the nearest lower multiple of the issue price. Applications for *all the loans* will be received at the offices of the Reserve Bank of India, branches of the Subsidary Banks of the State Bank of India conducting government treasury work except at Hyderabad, and branches of the State Bank of India at places where there is no branch of its Subsidiary Banks conducting government treasury work.

Stress on Modernisation

The minister for revenue and banking, Mr Pranab Mukherjee, told the Lok Sabha recently that constraint on resources would not be allowed to impede modernisation of traditional industries. The minister added that a scheme had already been prepared by the Industrial Development Bank of India (IDBI) for modernisation of sugar, cement and certain engineering industries. A separate announcement would follow for jute and cotton textiles, he stated.

During the current financial year, he said the industry had been allowed to deposit the surcharge on income-tax with the IDBI to augment the latter's resources. The IDBI was attending to modernisation either by direct assistance to industry or through its bill rediscounting scheme. It was expected that industries would be deposting Rs 50 crores with the IDBI this year. Mr Mukherjee said the government was aware of the estimate of the FICCI that Rs 1,340 crores would be needed for modernising traditional industries.

Sugar Productivity

In the statement to the press, the Indian Sugar Mills Association has referred to the recent press reports about the views of Mr Kharkhar, a Sugar Technologist from the Deccan Sugar Technologists Association that by starting early, factories in Maharashtra during the period 1971-72 to 1974-75, have lost considerable quantities of sugar by crushing unripe and immature cane during such period. The association has stated that there was loss of sugar when immature cane was crushed, this problem could not be considered in isolation. There were a variety of considerations which determined the starting of factories. For instance, the first and foremost consideration was that of diversion of cane to gur and khandsari. In case factories did not start early, cane would be diverted to gur and khandsari where the loss of sugar would be considerably much more and had to be avoided by factories starting early. There was yet another important consideration of the size of the crop so as to ensure that the factories were able to crush the available cane within a reasonable period and growers were not required to keep their crop standing for long during hot summer months. The starting of factories had thus to be considered keeping in view such overriding considerations.

Progress of Kudremukh Project

A two-man delegation led by Dr Reza Amin, Chairman of the National Iranian Steel Industries Co (NISIC) was in Delhi recently. They are reported to have expressed satisfaction with the progress of the Kudremukh project. Apart from holding discussions with the officials of the Department of Steel, Dr Amin also met the Minister for Steel and Mines Mr Chandrajit Yadav and expressed their satisfaction that the work on the Kudremukh Project was going on according to the schedule. The other member of the delegation Dr Mir Shamsi also visited Bangalore, the Project Site at Kudremukh and Mangalore and returned to New Delhi. Dr Shamsi is likely to be posted as representative of the National Iranian Steel Industries Company in New Delhi for the Kudremukh Project.

The work on construction of roads, water and power supply facilities, temporary quarters, permanent township, survey work of the site and the necessary investigations for testing of iron etc, is going on according to the schedule.

According to the sale and purchase agreement signed by SAIL with SINIC supply of iron ore concentrates is to commence after 54 months from the effective date of agreement. The down payment of 100 million US dollars was made on February 23, 1976, the effective date of the agreement. The work on the project is expected to be completed in 1980. According to the agreement signed between the Steel Authority of India and the Imperial government of Iran, India is to supply 7.5 million tonnes of iron ore concentrates per year to Iran for a period of about 20 years. Iran has agreed to give a credit of 630 million US dollars for implementing the project.

R&D in Steel Industry

The Indian steel industry has reached the stage where it needs a fully developed Research and Development set-up for its further growth and expansion. Steel technology, like any other technology, is developing so fast all over the world that industrial processes and production methods tend to become obsolete very quickly. During the current year capacity utilisation is expected to be over 85 per cent. Efforts are being made to reach capacity utilisation around 90 per cent which is considered quite satisfactory for the working of steel plant all over the world. Since 1975-76 the Indian steel industry has entered the international market. It is, therefore, imperative that the industry is not only self-expanding and self-generating but it should retain its competitiveness with similar industries in other countries. Efforts have to be made to reduce production costs to the maximum extent possible. An upto-date research and development set up can help by developing process improvements and introducing new technologies.

A research and development plant for the steel industry has been drawn up, on the basis of studies and extensive review of existing plant practices. The plan has been approved by the Planning Commission and the Department of Science and Technology. This plan consists of 23 research programmes which have been subdivided into 50 research projects. Substantial progress have been made in some of the more important projects. These include LD lining life improvement, development of high standard alloy steels, optimum blast furnace slag regime, iron ore washing, introduction of slide gate system, coal dust injection in blast furnace, sponge iron and low carbon steel. The plan also includes projects for development of alternative fuels and beneficiation of raw materials.

General Insurance

Mr G.V. Kapadia, chairman, General Insurance Corporation of India, told a news conference in Madras recently that he proposed to announce some pilot schemes for crop insurance in the couniry, on the lines suggested by Prof Dandekar who had studied the problems in depth and submitted his report to the government Mr Kapadia stated that the premium collected by the corporation during the calendar year 1975 amounted to Rs 275 crores and the pretax profit Rs 48 crores.

The General Insurance Corporation of India is organising a seminar on 'Role of General insurance in the National Economy" when the industry will be able to ascertain the views of a cross-section of the insuring public. The Seminar is proposed to be held in Bombay in the first week of October 1976. Mr Kapadia also indicated that the General Insurance Corporation and the Life Insurance Corporation were jointly sponsoring a new corporation in Malaysia named United Asian Assurance Berhad on the lines of United Asian Bank Berhad which was already functioning in Kuala Lampur with branches in many places including Singapore. This would also be a joint Indo-Malaysian project.

Exchange Release for Business Visits

In the context of considerable increase in the cost of living in several countries, and on a review of the existing pattern and scale of foreign

Department of Atomic Energy

On behalf of the President of India, the Director, of Purchase & Stores, Department of Atomic Energy, Bombay, invites tenders as detaild below:

1) Tender No. DPS/BARC/PPF/2339 due on 20.9.76. Supply of Stainless Steel Butt welding pipe fittings as per purchasers tender specifications.
2) DPS/BARC/ENG/9148 due on 23.9.76. Forged and normalised steel castings, as per tender specification. 42 Nos.
3) DPS/BARC/ENG/9122 due on 22.9.76. Fabrication, supply and installation of Moisture eliminator assembly as per tender specification and drawing. 235 Nos.
4) DPS/HWP/PPF/507 due on 16.9.76. Supply of needle and gate valves as per purchaser's tender specification.
5) DPS/HWP/PPF/515 due on 17.9.76. Supply of 3 way plug and check valves as per purchaser's tender specifications.
6) DPS/NFC/IEE/41 due on 30.9.76. Resistance Furnace—1 No.
7) DPS/BARC/R-5/PPF/129 due on 21.9.76. Supply of stainless steel seamless/welded pipes as per purchaser's tender specifications.
8) DPS/BARC/IEE/733 due on 30.9.76. Continuous Sintering Furnace 1 No.
9) DPS/NFC/CAP/378 due on 13.9.76. Heavy duty centre I, the centre height 300mm, as per purchaser's specification. 1 No.
10) DPS/NAPP/PPED/MTL/45 due on 20.9.76. Manufacture, inspection, testing, export packing and supply of Precipitation Hardening Consumable Electrode Vacuum Remelted Quality Stainless Steel Turned Round Bars to ASTM A-564-72 Type XM-13 or equivalent as purchaser's specification: Qty. 6,250 kgs.
11) DPS/NAPP/PPED/FAB/16 due on 4.10.76. Manufacture, inspection, testing and supply of Stainless Steel Pad Forgings in the forged, heat treated, machined, ultrasonically and magnetic particle tested condition as per Purchaser's specification and drawings. 6 Nos.
12) DPS/NAPP/(PPED)/EFQ/27 due on 4.10.74. Manufacture, supply, Shop Inspection and Testing, Tropical export packing and guarantee of Electromagnetic Disc Brakes in accordance with the specification. Total 16 Nos.
13) DPS/RRC/ELF/95 due on 14.9.76. "Flexible Trailing cables as per our tender documents". Quantity: 1500 mtrs.
14) DPS/PPED/CAP/196 due on 20.9.76. Preparation of shop drawings, manufacture, inspection, testing, supply, guarantee and delivery site of diaphragm type positive displacement pumps for heavy water upgrading plant for Madras Atomic Power Project, as per purchaser's tender document. 10 Nos.
15) DPS/RRC/FAB/135 due on 22.9.76. Preparation of shop drawings supply of materials and manufacture, inspection, shop assembly, shop testing, guarantee, crating, and delivery to Reactor Research Centre, Kalpakkam, Tamil Nadu of Secondary Flask filled with lead, equipped with carriage, drive systems and associated mechanisms as per perchaser's tender document and drawings. Qty. 1 unit.

Tender document priced Rs.5/-each for items at S. No. 1 & 2 Rs.10/-each for items at S. No. 3 Rs. 15/-each for items at S. No. 4 to 6 Rs. 20/-each for items at S. No. 7 & 8 Rs. 25 each for items at S. No. 9 to 1 Rs. 50/- each for items at S. No. 13 & 14 and Rs. 100/- for items at S. No. 15 and General Conditions of contracts priced Rs. 0.50 P except for items at S. No. 11 & 15 can be had from the Finance and Accounts Officer, Department of Atomic Energy, Directorate of Purchase and Stores, 3rd floor, Mohatta Building Palton Road, Bombay-400 001, between 10 a. m. to 1 p. m. on all working days except on Saturdays for all except for items at S. No. 9 to 14 which can be had upto 7.9.76 and 14.9.76 respectively. Import Licence will be provided except for items at S. No. 1 & 15 only if the items are not available indigenously. Tenders will be received upto 3 p. m. on the due date shown above and will be opened at 4 p. m. on the same day. The right is reserved to accept or reject lowest or any tenders in part or full without assigning any reasons. davp 645 (160)-76.

exchange allowances for visits abroad, the Reserve Bank has revised the system of exchange scales for business, etc, visits to countries outside India. The maximum amount of exchange released per day by way of basic allowance has been raised from US $60 to US $80 for senior businessmen and from US $45 to US $60 for junior businessmen. In addition, to compensate for the relatively higher cost of living in certain countries, there will be special allowances at the different rates on the base exchange scale viz. 20 per cent applicable to Western Hemisphere, certain Gulf countries and Saudi Arabia and 10 per cent applicable to the UK, countries of Europe and Japan. The existing uniform allowance of 20 per cent towards surface transportation and incidentals has been withdrawn. The system of variable allowances is expected to provide a flexible mechanism for quick adjustment of cost of living increases in different countries from time to time. The scales of exchange for bilateral account countries have also been revised upwards.

New Rules

Under the new system of scales, senior businessmen proceeding to countries in the Western Hemisphere, certain Gulf countries and Saudi Arabia will be able to draw exchange on the all-inclusive scale of US $96 per day, while junior businessmen visiting the same countries can avail of exchange up to US $72 per day.

Simultaneously, the exchange release to blanket permit holders and exporters undertaking export promotion visits against ad hoc permits towards entertainment expenses has been raised from £100 to US $300 for senior businessmen and from £50 to US $150 for junior businessmen. In order to accommodate the increase in the per diem rate and the entertainment allowance, the value of existing blanket permits will be enhanced by $33\frac{1}{2}$ per cent on application by permit holders to the issuing office of the Reserve Bank.

Brain Drain in Reverse

The Department of Science and Technology has formulated a scheme for the utilisation of talented Indian scientists and technologists settled abroad for development programmes in India. There is a great enthusiasm and desire on the part of many top level engineers, technologists and scientists of India who have taken up permanent career abroad to contribute to the scientific and technological developments of the country. The scheme will be operated by an advisory committee to be constituted by the Department of Science and Technology which will include representatives of all scientific agencies as well as of the Ministry of Education. It will be limited to scientists/technologists of outstanding eminence and ability who have retained strong link with their motherland.

.The scientific attaches of the Indian embassies will be closely associated with the screening and selection of persons under this scheme. Guidelines for operating the schemes have been drawn up by the Department of Science and Technology which will provide short duration assignments to Indian research institutions/universities for the Indian scientists settled abroad. Such scientists and technologists will be paid suitable honorarium. The government hopes that this scheme will assist in establishing a bridge between talent within the country and Indian talent abroad.

EPI Bags a Big Project

A public sector enterprise, Engineering Projects (India) Limited (EPI) has bagged a turnkey project contract to build an integrated modern township in Kuwait, costing Rs 2,300 million in foreign exchange. The township would be named Hadlan. This is the largest ever contract for a turnkey project undertaken abroad by any Indian firm. In addition to awarding the contract for the first phase, the National Housing Authority (NHA) of Kuwait have also requested EPI to submit plans for the second phase of the township for building 2,000 houses.

Industrial Consultancy Centre

Prof Dr Hans Wagner, Advisor, Industrial Consultancy Centre (ICC) of the IIT at Madras told a news conference at Madras recently that many partnership projects were taking shape since the ICC was established at Madras in 1972. He said the ICC had considerably stimulated the climate for (i) self employment of entrepreneurs, (ii) strong inter-disciplinary activities and (iii) streamlined procedures for Indo-German technical collaboration. So far 600 organisations had taken the ICC service in India, he said.

International Seminar on Pumps

Mr M.V. Joshi, President, Indian Pump Manufacturers Association, in a press statement revealed that the association is completing this year 25 years of its useful service to the country in general and the Indian pump industry in particular. Arrangements are being made to celebrate the Silver Jubilee on a grand scale for four days from 24th November 24, 1976 in Bombay.

It has been decided to hold an International Technical Seminar—the first of its kind to be held in the world and the Indian Pump Trade Fair in Bombay from November 24 to 27, 1976. A number of eminent technical personalities from

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The Loan will be closed as soon as total amount of approximately Rs. 10 Crores has been subscribed and in any case not later than the close of business on 28th August, 1976.

The Loan will be Utilised Towards the Development Programme of Uttar Pradesh.

The loan applications will be received at :

1. Offices of the Reserve Bank of India at Ahmedabad, Bangalore, Bombay (Fort and Byculla) Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna.
2. State Bank of Bikaner & Jaipur at Jaipur.
3. Branches of the State Bank of India within the State of Uttar Pradesh except at Kanpur.

All are requested to Subscribe Generously to this New Loan. Application forms and full particulars can be obtained at any of the above receiving office.

all over the world, who are considered to be the world authorities in different subjects connected with pump technology, have agreed to attend the Silver Jubilee functions and present their papers in the International Technical Seminar.

National Buildings Corporation

During the quarter ending June 30, 1976, the National Buildings Construction Corporation (NBCC), executed works worth over Rs three crores. As on June 30, 1976 the NBCC was having work valuing Rs 11.58 crores in hand. The Corporation has also secured a number of new works valuing over Rs 1.37 crores. It has been entrusted with the job of designing and planning of a township at Panipat in Haryana. It will cost Rs 3.70 lakhs. Another work secured by the Corporation valuing over Rs 10 lakhs is the construction of Offices at Chittaranjan Avenue, Calcutta. It has also taken up construction work of the reinforced concrete chimney for captive power plant at the Bongaigaon Refinery and Petrochemical Limited.

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COMPANY AFFAIRS

Britannia Biscuit

BRITANNIA BISCUIT Company Ltd has reported excellent working results during the year ended March 31, 1976. Sales, export and profits were all at the highest level in the history of the company. Sales recorded an impressive rise to Rs 38.87 crores from Rs 32.76 crores in 1974-75. This was the first year when the company had handled selling operations without the assistance of selling agents.

A new record was established in exports, which touched the Rs 2.50-crore mark in 1975-76 representing an increase of as much as 222 per cent over the preceding year. While exports to the rupee markets were steady, they went up by 242 per cent in foreign exchange markets. The performance during the year demonstrates how superior quality, marketing competence and perseverance can win recognition even in the most highly competitive markets of the world.

Effective Control

Greater efficiency and effective control on operations has enabled the company to improve its profit position during the year. Profit before tax was higher at Rs 3.48 crores as against Rs 2.68 crores in 1974-75 while the profit after tax amounted to Rs 1.18 crores as compared to Rs 0.97 crore in the earlier year. The directors have recommended payment of a dividend of Rs 54.18 lakhs out of the profits. This represents a dividend of 12 per cent on ordinary shares.

During the year under review the authorised capital of the company was doubled to eight crores of rupees. Moreover the company has received the consent of the Controller of Capital Issues for using 18,59,239 ordinary shares of Rs 10 each as fully paid-up bonus shares on the basis of seven ordinary shares for 10 shares held. Accordingly a sum of Rs 1.86 crores has been capitalised; the bonus shares were allotted on April 14, 1976.

Bank of Maharashtra

Bank of Maharashtra has maintained its proud record of uninterrupted progress in all spheres of its activities during 1975 as well. Deposits shot up by 24.68 per cent to Rs 262.17 crores as compared to 20.12 per cent in the previous year. The rate of deposit accretion was the highest recorded by the bank since nationalisation and compared favourably with 16 35 per cent for all scheduled commercial banks. The credit extended by the bank expanded at a higher rate of 30.82 per cent in 1975 as compared to 26.93 per cent in 1974 and 22.2 per cent for all scheduled commercial banks.

A massive branch expansion programme was undertaken during the year. Accordingly 58 new branches comprising 15 each in metropolitan and urban areas, 22 in semi-urban and six in rural areas were opened, carrying the total number of branches to 454. Of the 58 new branches, 34 were opened outside Maharashtra, taking the total number of such branches to 90 as against 14 at the time of nationalisation. The bank proposes to open 175 new branches during the next three years ending December 1978. Of these, as many as 109 are proposed to be opend at rural and semi-urban centres.

Resource Mobilisation

Satisfactory mobilisation of deposits and careful deployment of funds together with measures of expenditure control, enabled the Bank to earn a higher profit of Rs 18.0 lakhs as against Rs 17.0 lakhs in 1974. A sum of Rs 15.0 lakhs, out of the net profit has been transferred to the statutory reserve and an amount of Rs 3.0

FOREVER AT THE
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Services :
INDIA—U. K. & THE CONTINENT
INDIA/BANGLADESH
INDIA—BLACK SEA &
E. MEDITERRANEAN PORTS.
INDIA—POLAND AND INDIAN COAST

INDIA STEAMSHIP CO., LTD.
"INDIA STEAMSHIP HOUSE", 21, OLD COURT HOUSE ST., CALCUTTA-1.

lakhs to the central government.

State Bank of India

The State Bank of India has declared an interim dividend of Rs 12 per share (subject to deduction of tax) for the year ending December 31, 1976 and it will be paid to those shareholders registered in the books of the bank as on August 30, 1976. It has also been decided that deferred interim dividend for the year ended December 31, 1975 at the rate of Rs 15 per share (subject to deduction of tax) be paid in two equal instalments of Rs 7.50 per share to the shareholders registered in the books of the bank as on the respective due dates viz. July 31, 1976 and July 31, 1977.

Century

The Board of Directors of the Century Spinning and Manufacturing Co Ltd has decided to issue one bonus share for every two equity shares held. The proposed bonus issue will involve capitalisation of reserves to the extent of Rs 3.55 crores, increasing the present paid-up equity capital to Rs 10.65 crores. The company's authorised equity capital now amounts to eight crores of rupees and this also is proposed to be raised accordingly. The directors intend to recommend dividend on the capital as would be increased by the proposed bonus issue at the rate of not less than 22 per cent per annum, as against 33 per cent paid last year.

Seshasayee Industries

Despite severe power cuts ranging between 25 per cent and 75 per cent during the first half of 1975, Seshasayee Industries Ltd was able to produce goods worth Rs 310 lakhs during 1975 as against Rs 170 lakhs in 1974. Sales too recorded a significant rise to Rs 307 lakhs registering an increase of Rs 145 lakhs over the preceding year. The encouraging performance was mainly due to better working conditions in the latter half of the year and improvement in prices in certain categories of newly developed products. The operating profit of Rs 40.84 lakhs, before charging interest of Rs 42.83 lakhs, resulted in a cash loss of Rs 1.99 lakhs. After providing Rs 10.86 lakhs for depreciation the resultant loss for the year amounted to Rs 12.85 lakhs. The company has on hand orders to the tune of Rs 3.21 crores.

Boehringer-Knoll

Boehringer-Knoll Limited has reported considerable improvements in its working results during the year ended April 30, 1976. Sales and other income went up to Rs 7.22 crores from Rs 5.87 crores in 1974-75 while profit before tax increased from Rs 45.63 lakhs to Rs 60.04 lakhs. The company has made an investment of about Rs 22.00 lakhs in new plant and machinery for basic drugs, which entitles it to considerable tax relief. Profit after tax too was higher at Rs 28.13 lakhs as against Rs 13.26 lakhs in 1974-75. After providing Rs 4.20 lakhs for investment allowance reserve, the directors have recommended a dividend of Rs 1.30 per share of Rs 10.00 paid-up, which will absorb Rs 13.00 lakhs. The balance of Rs 10.94 lakhs has been transferred to the general reserve.

It will be recalled that the company had in May 1975 made a public issue of shares involving the issue of Rs 20.00 lakh new shares at par and Rs 13.34 lakh sale of shares at par by disinvestment on the part of Rallis India Limited. Consequently, the company is now no longer subject to the Foreign Exchange Regulation Act, its non-resident shareholding being less than 40 per cent. The company has also been de-registered under the Monopolies and Restrictive Trade Practices Act. The company's shares are listed on the Bombay Stock Exchange.

Jyoti Ltd, Baroda

Jyoti Ltd, Baroda, has earned a handsome net profit of Rs 146 lakhs during the year ended March 31, 1976 as

Bally Jute Company Limited

Notice to the Shareholders

NOTICE is hereby given that the Annual General Meeting of the Shareholders of the Company will be held at the Registered Office of the Company at 'Birla Building', 9/1, R. N. Mukherjee Road, Calcutta-700 001, on Tuesday, the 21st September, 1976 at 12 noon for the following purposes :—

1. To receive and consider the Report of the Directors and to pass the Audited Accounts of the Company for the year ended 31st March, 1976.
2. To declare dividends on Preference and Ordinary Shares.
3. To elect Directors in place of Shri T.C. Saboo. Shri R. L. Thirani and Shri M. P. Birla, who retire by rotation.
4. To appoint Auditors and fix their remuneration and for this purpose to consider and if thought fit, to pass with or without modifications, the following resolution as Special Resolution under Section 224-A of the Companies Act, 1956 :—

"RESOLVED that M/s. Price—Waterhouse, Peat & Co., Chartered Accountants, be and are hereby appointed Auditors of the Company to hold office from the conclusion of this meeting to the conclusion of the next Annual General Meeting of the Company on remuneration of Rs. 20,000 plus travelling and other incidental expenses incurred by them in connection with the audit of accounts of the Company's Mill No. 1 situated at Bally, Howrah, to the extent as may be sanctioned by the Board".

The Register of Members of the Company will remain closed from the 1st September, 1976 to the 21st September, 1976 both days inclusive.

By Order of the Board,
R. N. Yadav,
Secretary.

Registered Office :
'Birla Building'.
9/1, R.N. Mukherjee Road,
Calcutta-700 001.
Dated, the 27th July, 1976.

N.B. (1) The Directors have recommended the following dividends subject to deduction of tax under the I.T Act. 1961 :—

On Preference Shares for the years ended 31.3.1974, 31.3.1975 and 31.3.1976 @ 10% per annum, and

On Ordinary shares for the year ended 31.3.1976 @ Re. 1/- per share (10%)

If the dividends on shares as recommended by the Directors are declared at the meeting THE DIVIDENDS WILL BE PAID ON AND AFTER THE 23RD OCTOBER, 1976 to the registered shareholders whose names are on the Company's Register on the 21st September, 1976 or to the order or to thei Bankers.

(2) A member entitled to attend and vote at the above meeting entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member.

Shareholders are requested to intimate to the Company changes if any, in their registered addresses.

against the previous year's profit of Rs 85 lakhs—an increase of as much as 71 per cent. The company has been successful in achieving this excellent result in spite of marginal increase in sales. This is attributed to the basic strength of the company and the advantages of diversified activities.

The board of directors has recommended an equity dividend of 12 per cent and 9·5 per cent on its cumulative redeemable preference shares. The board has also proposed to issue bonus shares in proportion of one equity share for every two equity shares held.

The gross block of the company has reached a figure of Rs 3.88 crores which represents an increase of 18 per cent over the previous year.

News and Notes

For the first time in the country a complete range of increased safety motors developed with indigenous know-how by **Crompton Greaves Limited**, Bombay, has been certified by the Central Mining Research Station, Dhanbad. These motors are suitable for use in oil drilling installations, refineries, fertiliser and petro-chemical complexes.

International Tractor Company of India Limited is shipping 250 tractors—International model '444'—to Turkey. This consignment of 250 tractors is the first instalment of the repeat order for 1000 International tractors, valued at Rs 4 crores, received from Turkey. Last year, the company exported 750 tractors to Turkey, valued at Rs 2.5 crores. The order for 1000 tractors is the biggest-ever export order secured by any Indian tractor manufacturing organisation, against international competition, including tractor manufacturers from Europe. To date, the company has secured export orders for tractors and implements valued at over Rs 7.5 crores. The tractors are manufactured by the company at its Kandivli plant near Bombay. In addition to Turkey, the countries to which the company has been exporting include the United Kingdom, Australia, Japan, Indonesia, Kenya, Tanzania, Zambia, Muscat, Uruguay and Nepal. The company started

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The Birla Jute Manufacturing Company Limited

Notice to the Shareholders

NOTICE is hereby given that the Annual General Meeting of the Shareholders of the Company will be held at the Registered Office of the Company at "Birla Building", 9/1, R.N. Mukherjee Road, Calcutta-700 001, on Tuesday, 21st September, 1976, at 2.00 p.m. for the following purposes :–

1. To receive and consider the Report of the Directors and to pass the Audited Accounts of the Company for the year ended 31st March 1976.

2. To declare dividends on Preference, Second Preference and Ordinary Shares.

3. To elect Directors in place of Shri M.P. Birla, Shri N.K. Kejriwal and Shri G. D. Kothari, who retire by rotation.

4 To appoint Auditors and fix their remuneration and for this purpose to consider and, if thought fit, to pass with or without modifications, the following resolution as Special Resolution u/s. 224-A of the Companies Act, 1956 :–

"RESOLVED that Messrs. H.P. Khandelwal & Co., Chartered Accountants, be and are hereby appointed Auditors of the Company to hold office from the conclusion of this meeting to the conclusion of the next Annual General Meeting of the Company on remuneration of Rs. 1,00,000 plus travelling and other incidental expenses incurred by them in connection with the audit of Accounts of the Company's Satna Cement Works, Birla Cement Works and Durgapur Cement Works to the extent as may be sanctioned by the Board."

5. As a special business to consider and, if thought fit, to pass with or without modifications, the following resolutions :—

(i) As special Resolution—

"RESOLVED that the consent of the Company be and is hereby accorded to Shri S. K. Birla, Director of the Company, for holding office or place of profit as Director in India Linoleums Ltd., subsidiary of this Company."

(ii) As Ordinary Resolution—

"RESOLVED that Shri S. K. Birla, Director of the Company, who holds office till the date of this Annual General Meeting under Article 138 of the Company's Articles of Association, be and is hereby re-appointed as Director of the Company liable to retire by rotation."

(iii) As Special Resolution –

"RESOLVED that in partial modification of the Special Resolution passed on the 24th September, 1975, commission payable to the Directors under Article 127 of the Company's Articles of Association for further period of 5 years w.e.f. 1.4.1976, shall be subject to the maximum limit of Rs. 2 lacs or 1% of the net profit in any financial year, whichever is lower."

The Register of Members of the Company will remain closed from the 1st September, 1976 to the 21st September, 1976, both days inclusive.

By order of the Board,
M.L. Maheshwary,
Secretary.

Registered Office :
"Birla Building",
9/1, R N. Mukherjee Road,
CALCUTTA-700 001.
Dated, the 27th July, 1976.

N.B. (1) The Directors have recommended the following dividends for the year subject to deduction of tax under the Income-Tax Act, 1961 :—

On Preference Shares @ 7.5% per annum increased by 11% under the Preference Shares (Regulation of Dividends) Act, 1960, subject to deduction of Company's Income-Tax.

On Second Preference Shares @ 9.3% per annum.

On Ordinary Shares @ Rs. 1/80 P per share (18%)

If dividends on shares, as recommended by the Directors, are declared at the Meeting, the DIVIDENDS WILL BE PAID ON AND AFTER THE 23RD OCTOBER, 1976 TO THE REGISTERED SHAREHOLDERS whose names, are on the Company's Register on the 21st September, 1976 or to their Bankers.

(2) A member entitled to attend and vote at the above Meeting, is entitled to appoint proxy to attend and vote instead of himself and a proxy need not to be a member. Shareholders are requested to intimate to the Company changes, if any, in their registered addresses.

(3) AN EXPLANATORY STATEMENT IN RESPECT OF THE ABOVE ITEMS OF SPECIAL BUSINESS IS BEING FORWARDED TO THE MEMBERS OF THE COMPANY ALONG WITH CONVENING NOTICE OF THE MEETING.

production of tractors at its thirty-five acre Kandivli plant in 1966 and it has so far produced over 65.000 tractors.

The all-India financial institutions, viz, **IDBI**, **IFCI** and **ICICI** have decided to introduce a system of common appraisal with the object of streamlining the present procedures and reducing the time taken in processing applications for financial assistance. Under the new system, the entrepreneurs need submit the applications in the common application form to only one of these institutions. It is not necessary nor even desirable to apply to all the institutions simultaneously, as it may cause some delay in processing.

Lead Institution

The institutions will then appoint one of them as 'lead' institution which will process the application. It will forward to the applicant a questionnaire listing additional points on which information/clarification is required for processing the application. The applicant will correspond directly with the lead institution (in case it is not the same as the receiving institution). He will, however, be required to submit copies of replies to the above questionnaire to the other institutions as well.

A sulphuric acid plant built by the Frankfurt engineering group **Lurgy** on behalf of **Kempthorne Prosser & Co. Dunedin**, will start production of 300 tpd of monohydrate in early 1977.

The process is based on the Bayer double catalysis method which minimizes environmental pollution by an increased conversion efficiency which also improves the yield. The raw material to be used is elemental sulphur from which SO_2 is obtained by combustion. Part of the plant equipment is imported from Germany and part is acquired in Australia and New Zealand by Lurgi's subsidiary in Melbourne. Lurgi Australia is, like Lurgi Frankfurt/Main, an independent contract party to the customer.

New Issues

Carbonates (India) will be issuing shortly 2,04,000 equity shares of Rs 10 each and 66,000 (11 per cent) cumulative redeemable preference shares of Rs 100 each at par. The company is setting up a Rs 1.02 crore project at Tarapur, Maharashtra for manufacturing 7000 tonnes per annum of precipitated and activated calcium carbonate. Commercial production has already commenced.

High grade calcium carbonate is widely used in various industries including pharmaceuticals rubber. tyres and tubes, cosmetics and printing ink, tissue paper, PVC resins and compounds, cables, paints and varnishes. According to a market survey conducted by the company there is at present an unfulfilled demand of about 12.000 to 13,000 tonnes of standard quality calcium carbonates, which is likely to rise to 26,000 tonnes by 1982. The company, therefore, does not anticipate any difficulty in marketing its production. The capital outlay of Rs 1.02 crores will be financed by the share capital of Rs 40 lakhs, term loans of Rs 59.40 lakhs and unsecured loans and deposits of Rs 2.60 lakhs.

Capital and Bonus Issues

Consent has been granted to five companies to raise capital. The details are as under :

Karnataka State Industrial Investment and Development Corporation Limited, Bangalore, has been accorded consent, valid for 12 months, for the issue of debentures bonds of Rs 50 lakhs with an option to retain additional subscription to the extent of 10 per cent of the notified amount of Rs 50 lakhs, in the event of over subscription. The proceeds of the issue will be utilised for rendering financial assistance to the industries in Karnataka state.

Indo-Pharma Pharmaceutical Works Limited, Bombay. has been accorded consent valid for six months, to capitalise Rs 10 lakhs out of its general reserve and issue fully paid equity shares of Rs 1,000 each as bonus shares in the ratio of one bonus share for each equity share held.

Weston Electroniks Limited has been accorded consent valid for six months, to capitalize Rs 274,300 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every one equity share held.

Rajasthan State Industrial and Mineral Development Corporation Limited, a public company having a paid up capital of Rs 3.6 crores has been accorded consent for issue of capital of Rs 1 crore in 100,000 debenture bonds of Rs 100 each carring interest at the rate of 6-1/4 per cent per annum and redeemable after ten years from the date of issue, for cash at an issue price of Rs 98.85 per cent to the public by a prospectus. The debenture bounds shall be payable to registered holders only. The proceeds will be utilised for augmenting the financial resources of the corporation. The consent order is valid for 12 months.

Greaves Lombardini Limited, a public limited company registered in Maharashtra and having a paid up capital valid for a period of twelve months, for issue of equity shares worth Rs 2.2 crores and preference shares for Rs 50 lakhs. The proceeds of the issue are to be utilised to meet a part of the project to be set up at Aurangabad in Maharashtra.

Dividend

(Per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous Year
Higher Dividend			
Elgi Equipments	March 31, '76	16.0	12 0
L.G. Balakrishna & Brothers	March 31, '76	16.0	12 0
Tak Machinery	March 31, '76	12.0	11.0
Sutlej Cotton	March 31, '76	10.0	6.0
Simco Meters	March 31, '76	12 5	12.0
Same Dividend			
Hindustan Motors	March 31, '76	Nil	Nil
Lakshmi Mills	March 31, '76	9.0	9.0
Kanoria Chemicals	March 31, '76	12.0	12 0
Reduced Dividend			
Dhrangadhra Chemical Works	March 31, '76	Nil	10.0

RECORDS AND STATISTICS

Indias' international investment position in 1972-73

PERIODIC SURVEYS made by the Economic Department of the Reserve Bank of India highlight this country's investment position abroad. According to the latest study for the period ending in March 1973, it has been shown that assets at Rs 1,665 crores fell short of the liabilities by Rs 9,560 crores. The analysis gives breakdown of assets and liabilities in official and non-official sectors. Also it gives industry-wise and country-wise distributions of foreign investments. The study is given below along with all the relevant statistics:

Coverage & Concepts

The survey presents India's international investment position as at the end of March 1973, in the series of assessment of the country's foreign assets and liabilities. Coverage and the concepts used in the present assessment are the same as in the previous assessments. The foreign assets and liabilities covered are those held/owned abroad by both (a) the official sector comprising (i) government and (ii) Reserve Bank of India and (b) the non-official sector comprising (i) commercial banks, (ii) insurance companies, and (iii) corporate industrial and commercial enterprises, including state-owned undertakings. Balances held abroad by insurance companies and corporate enterprises have, however, been excluded from assets while liabilities include those owed by partnerships, proprietary firms and individuals against imports under deferred payments arrangements.

As in the case of the previous assessments, data on the outstanding foreign liabilities of both the official and non-official sectors, as also data on the outstanding foreign assets of the official sector and of the banking companies and the Life Insurance Corporation of India from the non-official sector, are inclusive of valuation changes arising from normal commercial considerations and on account of movements in the exchange rates of currencies. On the other hand, the data on flows of foreign investment capital during any given year are exclusive of valuation changes and hence are not identical with the figures derived from outstanding levels of investments at the end of any two years.

I

Overall Position

India's gross foreign liabilities in 1973 aggregated Rs 11,225 crores as against Rs 10,387 crores at the end of 1972 (Table I, p. 398). At Rs 838 crores the growth in gross foreign liabilities in 1973 was Rs 259 crores or 2.2 per cent higher than in the preceding year, reflecting to a very considerable extent the rise in the rupee values due to changes in exchange rates following the floating of the sterling with which the exchange rate of the rupee continued to remain unchanged. Excluding valuation changes, gross foreign liabilities amounted to Rs 10,651 crores in 1973 as against Rs 10,323 crores in the preceding year.

Foreign Liabilities

As in the past, bulk of the overall gross foreign liabilities (82 per cent) was on account of the official sector. At Rs 9,223 crores gross foreign liabilities of the official sector showed an increase of Rs 780 crores or 9.2 per cent during 1973 as compared with Rs 501 crores or 6.2 per cent in the preceding year and Rs 462 crores of the annual average for the four-years to end-March 1972. Gross foreign liabilities of the non-official sector, on the other hand, increased by a smaller amount of Rs 58 crores or 3 per cent during 1973 to Rs 2,002 crores, as compared with Rs 78 crores or 4.2 per cent in the preceding year though the growth was slightly higher than the annual average of Rs 55 crores for the four-year period to end-March 1972.

While the growth in overall gross foreign liabilities accelerated during the year, that in overall gross foreign assets decelerated. Gross foreign assets went up only by Rs 56 crores or 3.5 per cent to Rs 1,665 crores in 1973 as against an increase of Rs 117 crores or 8 per cent in 1972 and the annual average increase of Rs 123 crores during the preceding four-years. Net of valuation changes, overall gross foreign assets amounted to Rs 1,634 crores in 1973 as against Rs 1,591 crores in 1972.

Though a major part of foreign assets (78 per cent) continued to be held by the official sector, nearly three-fifths of the increase during 1973 was recorded in the non-official sector. Total foreign assets of the official sector, went up by Rs 23 crores to Rs 1,307 crores whereas in the non-official sector they rose by Rs 33 crores to Rs 358 crores.

Net Indebtedness

India's overall international investment position at the end of March 1973 showed a net indebtedness of Rs 9,560 crores as compared with Rs 8,778 crores a year ago. During the year under reference, net liabilities thus recorded a rise of Rs 782 crores or 9 per cent as compared with a rise of Rs 462 crores or 5.5 per cent during the preceding year. Of the total rise in the net indebtedness, the official sector accounted for Rs 757 crores or 97 per cent as compared with the rise of Rs 388 crores or 84 per cent in the previous year. In the non-official sector, the net liabilities went up only by Rs 25 crores to Rs 1,644 crores as against an increase of Rs 74 crores to Rs 1,619 crores in the previous year.

Of the increase of Rs 782 crores in the overall net indebtedness during the year, Rs 543 crores or 69 per cent may be attributed to valuation changes. Excluding these changes, the increase in net foreign liabilities amounted to Rs 239 crores. This was largely accounted for by official and private loans.

II
Official Sector

The outstanding gross foreign liabilities of the official sector amounted to Rs 9,223 crores in 1973 (Table II p 398). The growth of Rs 780 crores over the year reflected the sharp increase of Rs 815 crores or 11 per cent in loans as compared with the increase of Rs 425 crores or 6 per cent during the preceding year. Valuation changes consequent on the fall in the exchange value of the rupee accounted for almost 60 per cent of the increase in loans outstanding during 1973; in fact, both the loan receipts and the loan receipts net of repayments were lower than during the preceding year. The rise in loan liabilities was partly offset by a decline of Rs 35 crores in rupee liabilities to official institutions of east European countries.

The USA continued to account for over one-half of the outstanding gross liabilities of the official sector, though its share marginally declined from 53 per cent in 1972 to 51 per cent in 1973. On the other hand, the share of international institutions moved up during the year to 16 per cent from 15 per cent in 1972. The UK maintained its share at 9 per cent, West Germany, the USSR and Japan accounted for eight per cent, four per cent and five per cent, respectively, of the total gross liabilities of the official sector in 1973.

At Rs 1,307 crores in 1973, gross foreign assets of the official sector showed an increase of Rs 23 crores during the year which was only one-fifth of that of Rs 113 crores recorded in the preceding year The modest increase in 1973 was entirely accounted for by the rise of Rs 25 crores in the assets other than foreign exchange reserves consequent on the increase in technical credits extended to east European countries, these assets declined by Rs 4 crores in the preceding year. Foreign exchange reserves on the other hand showed a small decline of Rs 2 crores to Rs 664 crores compared with an increase of Rs 116 crores to Rs 666 crores in 1972. The increase of Rs 23 crores in the gross foreign assets of the official sector during the year reflected the fall in the exchange rates of the rupee; but for the valuation changes the assets would have shown a decline of Rs 8 crores over the year despite the rise in technical credits extended to east European countries mentioned earlier.

The net foreign liabilities of the official sector recorded an increase of Rs 757 crores, about double that of Rs 388 crores in the preceding year. A significant part of the increase during the year reflected valuation changes, as net of valuation changes it would have amounted to Rs 293 crores.

III
Non-Official Sector

Corporate Industrial and Commercial Enterprises: The total gross foreign liabilities of corporate industrial and commercial enterprises together with the liabilities of other non-official entities under suppliers' credits, stood at Rs 1,837 crores showing a rise of Rs63 crores during 1973, or Rs 16 crores smaller than during the preceding year (Table III, p 399). Excluding valuation changes, however, this sector's liabilities showed a decline of Rs 18 crores as against a rise of Rs 61 crores in the preceding year, as gross inflows into service and manufacturing enterprises sizeably declined and those into petroleum enterprises dwindled to a nominal amount.

The total gross foreign assets of the corporate sector increased by Rs 8 crores to Rs 271 crores in 1973. Short-term assets, largely export bills, in fact increased by Rs 15 crores to Rs 257 crores, but the impact was partly offset by a decline of Rs 7 crores to Rs 15 crores in the long-term assets.

The total net liabilities of the corporate sector, thus, went up by Rs 55 crores to Rs 1,566 crores in 1973.

Long-term Capital

Flow of Long-term Foreign Capital: With short-term liabilities remaining around one per cent of the total, the long-term liabilities consisting of net investment in branches of foreign companies, foreign investment in foreign controlled rupee companies (FCRCs) and other equity investment and creditor liabilities continued to dominate the outstanding gross foreign liabilities of corporate commercial and industrial enterprises. At Rs 1,816 crores in 1973, the outstanding long-term foreign liabilities rose over the year by Rs 61 crores or by Rs 15 crores less than in the preceding year but by Rs 10 crores more than the annual average increase during the four-years to March 1972 (Table IV, p 399).

A little over one-half (52 per cent) of the corporate sector's outstanding long-term foreign liabilities was accounted for by liabilities other than net indebtedness of branches to their principals abroad and investment in foreign controlled rupee companies (FCRCs) held in countries of control. At Rs 949 crores, these liabilities increased during the year by Rs 10 crores only, as compared with the rise of Rs 27 crores in preceding year and the average annual increase of Rs 24 crores during the four years to March 1972. The gross inflow of Rs 88 crores during 1973 under these liabilities was substantially lower than that of Rs 133 crores in the previous year (Table V, p 400). The gross outflow on the other hand, rose by Rs 12 crores to Rs 134 crores over the year. Consequently, the net inflow of Rs 11 crores in 1972 under these liabilities gave way to a net outflow of Rs 47 crores in 1973. The change over was brought about by the deterioration in the net inflows under loans and suppliers' credits. The net inflow under loans declined sharply to Rs 4 crores from Rs 41 crores in 1972 as gross inflows dropped by nearly a quarter while the repayments rose by 18 per cent (Table VII, p 401). The net outflow under suppliers' credits which started in 1971 continued to mount up. After trebling over the year to Rs 31 crores in 1972, it rose further by neary 70 per cent to Rs 52 crores in 1973 as the gross inflow dropped over the year to a fifth while gross outflows were maintained at around Rs 57 crores.

Suppliers' Credit

With resort to fresh suppliers' credits dwindling down and large repayments being effected in respect of credits availed of in the past, the share of liabilities under suppliers' credits in the corporate sector's outstanding long-term foreign liabilities has been declining since 1971 and the decline accelerated during 1973. Suppliers' credits which accounted for 18.9 per nt of the corporate sector's tstanding long-term liabilities 1970, dropped to 17.8 per nt in 1971, to 16.1 per cent 972 and further to 14 per nt in 1973. The share of ans, on the other hand, has en rising from 29.7 per cent 1970, to 29.9 per cent in 71, to 31 per cent in 1972 d then to 31.9 per cent in 73; loans outstanding owed an appreciable increase 1973 reflecting partly the pact of currency revalua- on.

aluation Changes

The outstanding investment branches of foreign com- anies and FCRCs, i.e. their ng-term foreign liabilities cluding creditor liabilities. mounted to Rs 867 crores in 973 and showed a rise of s 50 crores over the year—me as in the preceding year. xcluding valuation changes, here was, however, a net flow of Rs 28 crores in 1973 s against Rs 46 crores in the receding year (Table VI, p 400).

At Rs 642 crores in 1973, reign investment outstanding FCRCs showed an increase f Rs 57 crores over the year, s against that of 37 crores the preceding year, most of e higher growth arising from aluation changes effected by mpanies on account of ommercial consideration; such aluation adjustments were esponsible for about 40 per ent of the growth in the utstanding amount in 1973, hile they were nominal in the receding year.

Total gross inflows in respect f FCRCs, which were noticed ainly in manufacturing ndustries as in the preceding ear, amounted to Rs 36 rores or Rs 2 crores lower ver the year (Table VI p 400). he fall was entirely accounted for by the decline in the retained earnings attributable to non-resident equity holdings in countries of control. At the same time outflows dropped by a like amount, while the modest magnitude of equity investment inflow remained unchanged over the year (though non-cash inflow representing shares issued against supply of plant, machinery and equipment and against technical know-how dropped to 26 per cent of total equity investment inflow in 1973 from 68 per cent in 1972). In the result, FCRCs showed a rise in the net inflow of a nominal amount of less than a crore of rupees over the preceding year.

In contrast to the rise recorded by FCRCs' branches of foreign companies showed a decline of Rs 6 crores in the outstanding indebtedness to their principals abroad to Rs 225 crores in 1973; in 1972, the indebtedness of the branches had rised by Rs 12 crores. Services and plantation enterprises were mainly responsible for the short deterioration over the year, as non-residents resumed the trend observed from 1968-69 to 1970-71 of curtailing their activities in these fields.

Industrial Sector

Industry-wise Position:Manufacturing industries and services continued to claim a predominant share in the total foreign investment in the corporate industrial and commercial enterprises in India. The share of manufacturing industries marginally improved from 57 per cent in 1972 to 58 per cent in 1973, while that of services remained unchanged at 25 per cent.

In all the industry groups except manufacturing industries and services there was reduction in the outstanding investment in 1973, despite sizeable upward valuation changes. Outstanding investment in manufacturing industries rose by less than a fourth of the increase in 1972. The smaller increase was largely because of sizeable net repayments of loans.

In petroleum industry, foreign investment declined to Rs 173 crores in 1973 from Rs 179 crores in the preceding year and reflected the adverse movement under 'other liabilities'. The net inflow of capital in branches of foreign companies and direct investment in FCRCs in this sector was negligible.

Plantation Industry

Plantation industries also showed further decline in foreign investment from Rs 126 crores to Rs 120 crores. Outstanding investment in branches of foreign companies amounting to Rs 100 crores continued to account in 1973 for the bulk of total foreign investment in plantations.

Country-wise-Position : Although after valuation changes, the outstanding long-term foreign liabilities of corporate enterprises in India registered a growth of Rs 61 crores. In 1973 there was in fact an outflow of Rs 18 crores exclusive of valuation changes. The decline was mainly brought about by lower gross inflows from the USA, the UK, Japan, Italy and France (Table IX p 401). The share of the UK in the corporate sector's total outstanding long-term foreign liabilities declined slightly from 37 per cent in 1972 to 36 per cent in 1973, while that of the USA remained almost unchanged at around 28 per cent. The share of West Germany, on the other hand, moved up from eight per cent to nine per cent. These three countries continued to account for the bulk of outstanding long-term foreign liabilities of India's corporate sector, their collective share rising from 71.9 per cent in 1972 to 72.4 per cent in 1973.

Manufacturing Sector

A large part of the UK investment continued to be in manufacturing industries. In 1973, 57 per cent of the total UK investment of Rs 650 crores was claimed by these industries as against 54 per cent in 1972. The share of services, on the other hand, declined slightly from 11 per cent to 10 per cent, while that of petroleum remained unchanged at 14 per cent. Bulk of the long-term liabilities in the case of the UK was in the nature of inflow in branches of foreign companies and liabilities of FCRCs though the share of the UK in the total outstanding on account of branches of all foreign companies and all FCRCs declined from 64 per cent in 1972 to 61 per cent in 1973. The entire foreign investment in the plantation industries in India was from the UK, mostly in the branches of sterling tea companies.

Next only to the UK, the USA accounted for the largest amount of foreign investment in India. The outstanding long-term foreign liabilities of the corporate sector to the USA, rose from Rs 485 crores in 1972 to Rs 510 crores in 1973 because of valuation changes despite net outflow. Creditor liabilities accounted for two-thirds of the total liabilities to the US and manufacturing industries accounted for about 63 per cent of the total liabilities.

In the case of West Germany, there was a net inflow raising outstanding long-term liabilities from Rs 137 crores in

1972 to Rs 156 crores in 1973. A major part of the increase continued to be in the form of creditor liabilities which formed nearly 79 per cent of the total liabilities in 1972 as well as in 1973. Almost the entire liabilities were shared by services (54 per cent) and manufacturing industries (45 per cent).

There was a decline in long-term liabilities to Japan during 1973 which reflected continuous liquidation of liabilities under suppliers' credits relating to ships secured from Japan. Japanese investment declined from Rs 55 crores in 1972 to Rs 49 crores in 1973, with negligible fresh inflows. The share of Japan in total outstanding foreign liabilities of corporate enterprise in India declined from 3.1 per cent in 1972 to 2.7 per cent in 1973. Manufacturing industries accounted for nearly nine-tenths of liabilities of Japan.

Liabilities to Italy which had declined to Rs 84 crores in 1972 further declined to Rs 79 crores during the year under reference, over four-fifths of which was owed by manufacturing industries. Liabilities of petroleum industry to Italy, all of which were in the form of creditor liabilities, declined from Rs 9 crores or 11 per cent of the total in 1972 to Rs 8 crores or 10 per cent in 1973.

The outstanding total long-term liabilities to international institutions, entirely in the form of creditor liabilities increased from Rs 90 crores in 1972 to Rs 108 crores in 1973. These accounted for about 6 per cent of the total foreign long-term liabilities of corporate enterprises and over 11 per cent of the sector's long-term creditor liabilities. Over four-fifths of the liabilities to international institutions in 1973 was in services and the remaining in manufacturing industries.

Commercial Banks : Foreign liabilities of commercial banks declined during 1973 by Rs 7 crores to Rs 90 crores (Table X p 402). Their foreign assets on the other hand, registered a sharp rise of Rs 22 crores to Rs 54 crores. The rise was mainly accouned for by larger foreign currency holdings. In the result, net liabilities of commercial banks showed a decline of 45 per cent, from Rs 65 crores at the end of March 1972 to Rs 36 crores in 1973.

Insurance Companies : Foreign liabilities of insurance companies aggregated Rs 75 crores in 1973 as against Rs 73 crores in 1972 (Table XI, p 402). The increase was due to transactions of the Life Insurance Corporation of India. The share o the LIC in the foreign liabiliti of insurance companies wa more or less unchanged a around 77 per cent.

The growth of foreign asset of insurance companies showe a modest improvement. Thes moved up from Rs 30 crore in 1972 to Rs 31 crores i 1973. The Life Insurance Corporation of India accounte for the entire rise in the asset in 1973, its share in the foreig assets of insurance compani marginally improving to 90 pe cent.

With a slightly larger increase in liabilities than that i assets, the net foreign liabilities of insurance compani marginally moved up over th year by half a crore of rupee to Rs 43 crores in 1973.

TABLE I

India's Overall International Investment Position

(Rs. Crore

As at end of March	Official sector			Non-official sector			Total		
	Assets	Liabilities	Net	Assets	Liabilities	Net	Assets	Liabilities	Net
1969	940	7165	-6225	281	1782	-1501	1221	8947	—7726
1970	1193	7615	6422	239	1820	-1531	1482	9435	—7953
1971	1171	7942	-6771	321	1866	—1545	1492	9808	—8316
1972	1284	8443	-7159	325	1944	—1619	1609	10387	—8778
1973	1307	9223	-7916	358	2002	-1644	1665	11225	-9560

TABLE II

Official Sector : Foreign Assets and Liabilities

(Rs. Crore

As at the end of March	1969	1970	1971	1972	1973
I. **Assets**	939.8	1193.2	1171.4	1284.2	1306.7
Foreign exchange reserves**	394.1	638.4	549.8	666.2	663.8
Others	545.7	554.8	621.6	618.0	642.9
II. **Liabilities**	7164.4	7615.1	7942.2	8443.4	9223.4
IMF drawings	279.1	153.7	·	—	—
Loans	6068.6	6582.7	7012.1	7437.3	8252.2
Others*	816.7	878.7	930.1	1006.1	971.2
III. Net Position	-6224.6	—6421.9	—6770.8	—7159.2	—7916.7

creas

the yeaxcluding gold holdings.

fifth of te rupee subscription to India's quota in the IMF and the corresponding rupee liabilities to the IMF have been exclude recorded tgether from the assets and liabilities.

TABLE III

Corporate Industrial and Commercial Enterprises : Foreign Assets and Liabilities

(Rs crores)

As at the end of March	1969	1970	1971	1972	1973
I. **Assets**	209.1	231.7	250.6	263.0	271.3
1. Short-term	183.9	208.6	228.7	241.7	256.8
2. Long-term	25.2	23.1	21.9	21.3	14.5
II. **Liabilities**	1631.5	1658.5	1695.5	1774.2	1837.0
1. Short-term	12.2	17.6	15.9	18.5	20.7
2. Long-term	1619.3	1640.9	1679.6	1755.7	1816.3
III. **Net position**	-1422.4	—1426.8	—1444.9	—1511.2	—1565.7
1. Short-term	171.7	191.0	212.8	223.2	236.1
2. Long-term	1594.1	—1617.8	—1657.7	—1734.4	-1801.8

TABLE IV

Corporate Industrial and Commercial Enterprises : Long-term Foreign Liabilities†

(Rs crores)

As at the end of March	1969	1970	1971	1972	1973
I. **Net indebtedness of branches to their principals abroad**	265.3	222.8	218.8	231.0	224.7
II. **Controlling investment in foreign controlled rupee companies (FCRCs) (a)**	472.4	512.6	548.5	585.4	642.3
1. Subsidiaries	348.0	373.3	388.4	408.3	452.6
2. Others	124.4	139.3	160.1	177.1	189.7
III. **Other long-term liabilities**	881.6	905.5	912.3	939.3	949.3
1. Loans	500.6	486.8	502.0	545.0	580.4
2. Suppliers' credits	292.3	309.8	298.9	282.0	254.6
3. Investment in debentures and preference shares (b)	12.2	14.8	14.8	15.0	15.0
4. Equity investment (c)	76.5	94.1	96.6	97.3	99.3
Total	1619.3	1640.9	1679.6	1755.7	1816.3

†Include liabilities of other non-official agencies under suppliers' credits.

a) Foreign controlled rupee companies are Indian Joint Stock companies which are (i) subsidiaries of foreign companies (ii) com-
anies in which 40% or more of the share capital is held outside India in any one country, (iii) companies in which 25% or more
f the share capital is held by a foreign company or its nominee, and (iv) managed companies which are controlled by a managing
gency company which itself is a foreign controlled company; banking, insurance and Government companies are excluded. Fig-
res represent equity holdings of investors in the country of control and their proportionate share in the free reserves of the foreign
ontrolled rupee companies. (b) Non-resident holdings of preference shares and debentures of rupee companies. (c) Portfolio
nvestment in non-foreign controlled rupee companies and ordinary shares of foreign controlled rupee companies held by inves-
ors in countries other than the country of control.

TABLE V

Corporate Industrial and Commercial Enterprises : Flow* of Long-Term Foreign Liabilities

(Rs. crores)

As at the end of March	1969	1970	1971	1972	1973
1. Net indebtedness of branches of their principals abroad *a*	-3.5	-12.5	-4.0	12.0	-6.4
2. **Investment in FCRCs £**	28.8	34.4	37.4	34.4	34.8
(i) Inflow	30.8	35.6	38.1	37.6	35.5
(ii) Outflow	2.0	1.2	0.7	3.2	0.7
3. **Other liabilities****	39.6	4.3	6.7	10.5	-46.5
(i) Inflow	148.2	112.4	128.9	132.5	87.6
(ii) Outflow	108.6	108.1	122.2	122.0	134.1
4. **Total net inflow**	64.9	26.2	40.1	56.9	-18.1
(i) Inflow	175.5	135.5	163.0	182.1	116.7
(ii) Outflow	110.6	109.3	122.9	125.2	134.8

*Exclusive of valuation changes

a Covers the change in the net position of branches, net dis-investment being shown as negative inflow. £ Inflow covers fresh inflow of equity investments attributable to non-residents on their investments in FCRCs. Outflow covers repatriation of investments by way of transfer of shares from non-residents to residents. **Represents liabilities in respect of (i) loans (ii) suppliers' credits (iii) holdings of debentures and preference shares (iv) equity holdings in non-foreign controlled Indian joint stock companies and (v) equity holdings in foreign controlled rupee companies (FCRCs) by residents of countries other than the country of control. Inflow represents investments in shares/debentures and receipt of loans/suppliers' credits for imports; outflow represents the repatriation/redemption/repayments of the same.

TABLE VI

Corporate Industrial and Commercial Enterprises: : Flow of Investment in Branches and Foreign Controlled Rupee Companies

Year	Inflow					Outflow*	Net inflow (5—6)
		FCRC					
	Branches	Equity	Retained earnings	Total (2+3)	Total (1+4)		
	1	2	3	4	5	6	7
1968-69	-3.5	13.0 (11.5)	17.8	30.8	27.3	2.0	25.3
1969-70	-12.5	6.6 (5.4)	29.0	35.6	23.1	1.2	21.9
1970-71	-4.0	9.7 (9.0)	28.4	38.1	34.1	0.7	33.4
1971-72	12.0	3.7 (2.5)	33.0	37.6	49.6	3.2	46.4
1972-73	-6.4	3.4 (0.9)	32.1	35.5	29.1	0.7	28.4

* Represents repatriation of share capital from rupee companies.

Note : Figures in parenthesis represent the non-cash component of the inflow under equity.

TABLE VII

Corporate Industrial and Commercial Enterprises Other than Branches and Foreign Controlled Rupee Companies (Rs crores)

at the end of March	1969		1970		1971		1972		1973	
	Gross inflow	Net inflow	Gross inflow	Net inflow	Gross inflow	Net inflow	Gross inflow	Net inflow	Gross inflow	Net inflow
Loans	69.5	0.6	51.1	—17.3	84.8	15.1	105.2	40.5	80.2	3.5
Suppliers' Credits	76.1	36.8	58.4	19.1	41.5	—10.9	26.1	30.7	5.4	—52.0
Investment in debentures and preference shares	0.9	0.9	0.2	—0.1	-		-	-	-	—
Equity Investment	1.7	1.3	2.7	2.6	2.6	2.5	1.2	0.7	2.0	2.0
Total	148.2	39.6	112.4	4.3	128.9	6.7	132.5	10.5	87.6	—46.5

TABLE VIII

Corporate Industrial and Commercial Enterprises : Inflow of Long-Term foreign Liabilities (Industry-Wise)

at the end of March	1969		1970		1971		1972		1973	
	Gross inflow	Net inflow	Gross inflow	Net inflow	Gross inflow	Net inflow	Gross inflow	Net inflow	Gross inflow	Net inflow
Plantations	- 2.2	2.2	3.6	3.8	-0.8	-1.0	0.3	0.3	-6.0	—5.9
. Mining	1.8	0.9	0.7	—	3.3	2.4	0.3	0.9	0.1	—1.0
. Petroleum	10.1	1.2	1.4	-8.2	-7.2	-14.7	15.1	6.4	0.9	-7.3
. Manufacturing	120.8	72.0	88.1	38.0	79.7	16.8	81.6	18.7	65.1	3.9
Services	45.0	4.6	48.9	0.2	88.0	36.6	84.8	32.4	56.6	—7.8
Total	175.5	64.9	135.5	26.2	163.0	40.1	182.1	56.9	116.7	18.1

TABLE IX

Corporate Industrial and Commercial Enterprises : Flow of Long-Term Foreign Liabilities Country-wise

at the end of March	1969		1970		1971		1972		1973	
	Gross inflow	Net inflow	Gross inflow	Net inflow	Gross inflow	Net inflow	Gross inflow	Net inflow	Gross inflow	Net inflow
ance	17.8	9.5	10.3	2.5	4.3	-5.2	9.5	0.6	1.5	-8.3
Investment in branches and FCRCs	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other	17.6	9.3	10.2	2.4	4.2	5.3	9.4	0.7	1.4	-8.4
est Germany	14.5	6.8	14.0	5.5	13.8	4.0	18.4	7.4	19.7	5.1
Investment in branches and FCRCs	1.4	1.4	2.7	2.5	3.4	3.4	3.7	3.7	4.0	4.0
Other	13.1	5.4	11.3	3.0	10.4	0.6	14.7	3.7	15.7	1.1
aly	37.7	33.3	20.6	13.9	10.6	0.8	4.8	—9.5	2.9	11.0
Investment in branches and FCRCs	0.2	0.2	0.6	0.6	0.2	0.2	0.2	0.1	0.3	0.3
Other	37.5	33.1	20.0	13.3	10.4	0.6	4.7	-9.6	2.6	—11.3
pan	11.2	1.1	1.5	—10.1	1.5	11.1	1.8	10.3	0.6	—11.2
Investment in branches and FCRCs	1.4	1.4	0.2	0.2	0.4	0.4	0.3	0.3	0.2	0.2
Other	9.8	—2.5	1.3	10.3	1.1	11.5	1.5	-10.6	0.4	—11.4
K	17.8	2.2	8.0	—0.1	12.1	2.1	24.1	11.6	6.4	—3.7
Investment in branches and FCRCs	7.1	5.3	2.6	1.6	8.7	8.1	17.7	14.9	5.4	5.0
Other	10.7	—3.1	5.4	—1.7	3.4	—6.0	6.4	—3.3	1.0	—8.7

—(*Contd.*)

TABLE IX

Corporate Industrial and Commercial Enterprises : Inflow of Long-Term Foreign Liabilities—Country-wise—*Contd.*

As at the end of March	1969		1970		1971		1972		1973	
	Gross inflow	Net inflow	Gross inflow	Net inflow	Gross inflow	Net inflow	Gross inflow	Net inflow	Gross inflow	Net inflow
USA	46.5	10.8	38.2	—2.4	62.9	25.0	73.0	35.5	46.1	—0.6
Investment in branches and FCRCs	6.5	6.3	10.4	10.4	13.3	13.2	13.5	13.5	10.3	10.0
Other	40.0	4.5	27.8	—12.8	49.6	11.8	59.5	22.0	35.8	10.6
Others	30.0	3.4	42.9	16.9	57.8	24.5	50.5	22.8	39.5	11.6
Investment in branches and FCRCs	10.5	10.5	6.5	6.5	8.0	8.0	14.2	13.8	8.8	8.8
Other	19.5	—7.1	36.4	10.4	49.8	16.5	36.3	9.0	30.7	2.8
(i) International institutions	9.8	—10.2	12.4	—6.6	24.3	4.0	23.5	7.4	28.6	12.5
(ii) Others	9.7	3.1	24.0	17.0	25.5	12.5	12.8	1.6	2.1	—9.7
Total	175.5	64.9	135.5	26.2	163.0	40.1	182.1	56.9	116.7	—18.1
Investment in branches and FCRCs	27.3	25.3	23.1	21.9	34.1	33.4	49.6	46.4	29.1	28.4
Other	148.2	39.6	112.4	4.3	128.9	6.7	132.5	10.5	87.6	—46.5

TABLE X

Banking : Foreign Assets and Liabilities

As at the end of March	1969	1970	1971	1972	1973
I. Assets	42.4	27.8	40.9	31.6	53.8
II. Liabilities	80.3	90.9	96.6	96.8	89.6
III. Net position	—37.9	—63.1	—55.7	—65.2	—35.8

TABLE XI

Insurance Companies : Foreign Assets and Liabilities

As at the end of March	1969	1970	1971	1972	1973
I. Assets	29.1	29.8	29.9	30.3	31.4
1. Life Insurance Corporation of India	25.9	26.6	26.7	27.1	28.2
2. Other rupee companies	3.2	3.2	3.2	3.2	3.2
II. Liabilities	70.1	71.2	74.0	73.1	74.7
1. Life Insurance Corporation of India	59.7	59.0	60.0	56.6	58.2
2. Other rupee companies	8.4	8.4	8.4	8.4	8.4
3. Branches (net)	2.0	3.8	5.6	8.1	8.1
III. Net position	—41.0	—41.4	—44.1	—42.8	—43.3
1. Life Insurance Corporation of India	—33.8	—32.4	—33.3	—29.5	—30.0
2. Others	— 7.2	— 9.0	—10.8	—13.3	—13.3

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Clarion call from Colombo

THE LEADERS of more than 80 countries who participated in the fifth non-aligned summit in Colombo last week experienced that rare feeling of strength which flowed from solidarity. They felt that power did not come from guns alone. The weapon of moral force backed by unity could be a unique asset in this bewildering world of power blocs. The non-aligned nations gave ample evidence in Colombo of their determination to seek just and equitable solutions to both political and economic problems through increased accord and cooperation among themselves and by putting up a united front. Rightly, our prime minister, Mrs Indira Gandhi, stressed the need to implement the decisions taken in Colombo. Otherwise, there was the danger that such summits would degenerate into forums for making noises only.

Besides approving the political declaration, the economic declaration, and the action programme, the summit gave its assent to 28 resolutions covering both economic and political problems facing the world. This was indeed a no mean achievement. One thing which had become very clear in Lusaka (1970), Algiers (1973) and Colombo (1976) summits was that economic questions had come to the fore and that the developed countries could not for long refuse to share their prosperity with the developing countries. The distribution of world income had favoured the rich countries for too long. The poor countries had received a raw deal as with a population of more than 60 per cent of the world, they enjoyed only a little more than 10 per cent of the world gross national product. The proposed new economic order will need to rectify this depressing maldistribution of income.

But the gods help those who help themselves. Guided by this dictum, the non-aligned countries included in the action programme for economic cooperation two new ideas. The first related to the setting up of a commercial bank which would conduct the general activities of commercial and merchant banking for the developing countries. The second proposed the establishment of a countervailing currency which would be backed by the resources of these countries. The action programme recommended that the feasibility of these proposals should be studied in the first instance. It did not follow that both these new ideas would become realities before the next summit which is proposed to be held in 1979 in Havana (Cuba). Surely, it would involve, besides detailed studies, substantial agreement among the economically strong developing countries. Just as the news pool idea took some time to take shape, and now it is inching towards a workable proposition after its endorsement at Colombo, the recommendations regarding the establishment of non-aligned currency and bank have a fair chance of being implemented provided the leaders of the non-aligned nations are able to keep up the level of togetherness witnessed last week.

The responsibility to organise the implementation of these proposals fell on India and Indonesia. In fact, the two countries have coordinated the economic programme since the Algiers summit and now they have been asked to continue these activities until the next summit in Havana. India has also offered its services for the coordination of the activities of groups dealing with scientific and technological development. Surely, our country has capabilities to perform these functions efficiently in view of the rapid strides which scientific and technical progress has already taken here. The truth of the matter is that the developing countries have hitherto made the fatal mistake of looking up to the developed countries only for scientific, technical and industrial assistance. They could have moved faster on the road to economic progress if they had adopted "multilateral industrial cooperation policies" as a part of the national policy. Among the developing countries, not a few have the capacities to assist others. The target of achieving 25 per cent of total world industrial production by the end of the current century can be attained if multilateral cooperation among the developing countries is stimulated.

A heartening feature of the Colombo summit was the outspoken manner in which the feelings of the non-aligned nations on certain political problems of the world were expressed. The freedom struggles in South Africa, Rhodesia and Namibia were not only given moral support; the summit openly pledged material help to the oppressed peoples of these countries. And the United Nations, it was openly stated, had proved an inept instrument in redressing the grievances of the majorities in these countries.

The nations joining the non-aligned movement may be welcomed in the sense that there is undoubted strength in sheer numbers. But there seems to have been some laxity in admitting new members, especially those which are members of military alliances. Our country did not oppose the entry of these new members because we were keen to preserve the unity and solidarity of the whole movement. May be, the whole concept of non-alignment will receive a setback because of the absence of vigilance in this regard.

RBI and its strategy for borrowings

THE POLICIES of the Reserve Bank of India in respect of the borrowing programmes of the central and state governments in the current financial year have been somewhat puzzling as it has not been possible to understand clearly the logistics of open market operations relating to central loans or the strategy for mobilising resources through market loans by the state governments. While there was a change in the terms of the central loans issued in July this year, which made the long-dated loan more attractive for the investor, the subsequent open market sales of the new loans were effected at an unusually high premium immediately after the lists were closed. A different approach has been adopted for issuing new loans by the state governments.

It has been generally expected that a bold attempt will be made to raise large net amounts for helping the state governments to overcome the deficiency to the extent possible in regard to the availability of resources for Plan purposes by having large notified amounts for new loans. The procedure adopted has, however, been on entirely different line. There is no change in the basis of borrowing by various state governments but the new loans carry interest at six per cent mature in 10 years (in 1986) and have an issue price of Rs 99 (face value : Rs 100). These terms are identical to those of the loans issued last year. While this decision confirms that the Reserve Bank is not contemplating any change in the basis of borrowing of states, what is surprising is the effort to mobilise a smaller net amount even when it has been programmed that the state government should borrow in two batches.

Thirteen state governments issued loans for an aggregate notified amount of Rs 171.50 crores even when all of them have maturing loans for Rs 103.52 crores. But for the acceptance of subscriptions up to 10 per cent in excess of the notified amounts of various loans the net sum mobilised would not have been Rs 85.13 crores. It was clear all the time that the lists would be oversubscribed on the opening day. On September 1, 1975, 10 state governments raised as much as Rs 178.26 crores against a notified amount of Rs 161 crores.

There were no maturing loans as in an earlier year there was centralised borrowing and the states got their requirements from the centre. It might not, therefore, be strictly correct to say that the states have secured for themselves a large net amount as repayments have to be made to the centre against the earlier arrangement. But the investment of funds so far as the money market is concerned has been to the full extent of Rs 178.26 crores and fresh amounts has to be found by the banking system, Life Insurance Corporation, provident funds and others.

The new approach is therefore in strong contrast with the procedure adopted on the last occasion. It has also been decided that there should be borrowing on a staggered basis, the only difference being that there were 13 loans in first tranche this year against 10 loans in the first tranche in 1975. The borrowing states are of course different as Jammu and Kashmir and Haryana are not now in the first list while they were in the first stage on the last occasion. Instead, five more states, Assam, Andhra Pradesh, West Bengal, Orissa and Karnataka have been included in the first list and only eight states remain to command the markets on the analogy of last year.

What is really significant is the fact that every state has borrowed a smaller net amount now while four states—Andhra Pradesh, Maharashtra, Tamil Nadu and Uttar Pradesh—have sought to carry out only a funding operation and the net amount realised after converting the maturing loan and repaying the unconverted portion is negligible. Does this mean there will be reissues of same loans later or have other considerations determined the quantum of market borrowing ? In 1975 the aggregate amount raised in the first stage as stated above was Rs 178.26 crores and in the second stage Rs 94.96 crores—in all Rs 273.22 crores.

no serious strain

The institutional investors are certainly capable of putting up this net amount apart from converting maturing loans for Rs 103.52 crores or in the aggregate Rs 376.74 crores or even a gross amount of Rs 400 crores. No serious strain will be felt if in the second stage of borrowing and the third, if need be, the amount raised was even Rs 210 crores. There are of course no loans falling due for repayment in respect of the remaining state governments or reissues and the subscriptions will have to be fully in cash.

It will be readily agreed that the two or three stages of borrowing will be successfully completed as the banking system has been experiencing a phenomenal growth in deposits in the past few months and it is also unlikely that there will not be expansion of procurement credit of the dimensions of last year. Even if procurement purchases had to be effected out of kharif crop in October/December on the scale of last year there will be serious problem of storage, even if the yield happens to be around 68 million tonnes. There will of course be no pressure on account of imported foodgrains as fresh purchases have been suspended.

strident growth

The strident growth in deposits of the scheduled commercial banks up to August 6, this year has enabled them to expand credit for procurement purposes on an unprecedented scale even while lending liberally to borrowers in the public and private sectors for other purposes. The assistance from the Reserve Bank has not been large having regard to the magnitude of operations. Thus, deposits of scheduled commercial banks have risen by as much as Rs 2005 crores between December 26, 1975 and August 6, 1976 against only Rs 1188 crores in the corresponding period in 1975.

The increase in aggregate credit of Rs 1985 crores against Rs 885 crores could be easily met with owned funds and borrowings from Reserve Bank amounted to only Rs 312 crores additionally. There was of course a drop under this head by Rs 98 crores in the same period in 1975. It would not have been necessary to use the refinance facilities against procurement credit in the period under reference in 1976 to the extent dictated by the increase in borrowing from Reserve Bank but for anticipatory heavy investments in government and approved securities.

Holdings of government securities and treasury bills have risen by Rs 468 crores against only Rs 249 crores previously. There were also fresh investments in approved securities of the order of Rs 175 crores. No details are available in this regard relating to the period in 1975. Cash balances and money at call have also been maintained at higher levels indicating that the banks are keen on increasing investments on government loans and bonds of public bodies on an anticipatory basis and available cash balances can always be drawn upon for this purpose along with fresh deposits. The refinance facilities against procurement credit also can be judiciously used for augmenting gross incomes of banks.

It has therefore been not surprising that there will be overwhelming response for the state loans in the first phase of borrowing for the current financial year. What is necessary to know is what will be the target for borrowing for the states and whether the central government will be more keen on raising a larger net amount through its loans. It is only a question of apportioning available resources between the states, the central government and public bodies. The bond issues of state electricity boards, financial corporations and others have been on a larger scale than before and small bond issues are being comfortably spaced whenever there is an unsatisfactory demand for gilt-edged securities.

It is needless to say that the lendable resources of the scheduled commercial banks will be much larger than now if it is also decided to raise the statutory liquidity ratio as is being suggested in some quarters. Even an increase of one per cent in this ratio will require investment of nearly Rs 160 crores in the first instance and additionally Rs 25 crores in a year. Even if no decision in respect of an increase in the statutory liquidity ratio is taken, banks may feel compelled to invest larger amounts in government and approved securities as non-food credit may not increase sizably in the coming weeks and there may not also be great anxiety to reduce borrowings from the RBI when refinance facilities against procurement credit have still to be utilised to the extent of Rs 200 crores. What then will be the strategy of the RBI in the next three months ?

Take-over in jute

THE DECISION of the government of India to take-over the management of the National Company Limited, Calcutta, which owned and controlled the National Jute Mills in Howrah, raises some important and interesting issues regarding government's policy in relation to the jute industry. This is the first time that the government has taken over the management of a jute mill and it remains to be seen whether a similar decision will be taken about the other mills which have been closed or may face closure in the near future. Prof Chattopadhyaya, the union minister of Commerce, has ruled out the nationalisation of the jute industry. But he has also said on several occasions that it is the government's policy not to hand over the sick units after making them viable to the same management.

Dr Gopal Das Nag, West Bengal's minister for Labour, has observed that the government may set up a National Jute Corporation on the model of the National Textile Corporation to take-over and manage the sick mills. Do these statements indicate that, ultimately, the jute industry will partly or wholly come into the public sector?

The National Jute Mills employs 14,700 persons and has been equipped with the most modern machinery for the manufacture of carpet backing and hessian. Despite its modernisation, the unit became sick due to mismanagement. One wonders how this important unit was allowed to mismanage its affairs to such an extent as to necessitate its take-over by the government. Is not the office of the Jute Commissioner supposed to maintain constant vigilance over the working of the jute mills? The new board of directors consists of Lt Gen J.S. Arora as the chairman and 10 members including the representatives of the Industrial Development Bank of India (IDBI), the State Bank of India, and the nominees of the government of India. The West Bengal government is not represented on the board but the general secretary of the West Bengal Congress has been included.

The government of India has been urging the banks and the other financial institutions to give warning signals about the impending sickness of industrial units. It is pertinent to ask whether the IDBI and the State Bank had given such signals in respect of the National Jute Mills and, if so, what action was taken to prevent the unit from becoming chronically sick. Lt Gen Arora and his colleagues can place the mills on a sound footing only when the prospect for the industry as a whole substantially improves.

a passing phase

In the beginning of August, as many as thirteen mills remained closed and it is feared that more may follow suit. Mr Siddhartha Shanker Ray, the chief minister of West Bengal, has said that the current crisis in the jute industry is "a passing phase" and that "there is no reason to believe that the future of this industry is bleak". These remarks seem to indicate complacency on the part of the state government. In the past few years, the industry has been passing through one severe crisis after another and every time it has been described as "a passing phase" and there has been no serious attempt to evolve a long-term strategy to make it viable.

The situation at present is indeed critical with falling exports and mounting stocks. Had Mr Ray and his ministry taken greater interest in the welfare of the industry, its plight would not have been so bad as it is now. It is significant to note that, at the state level, it is the Labour minister rather than the minister for Industry and Commerce who has been playing a major role in influencing New Delhi's policy towards the jute industry. The Labour minister is naturally concerned with the fate of the workers but there does not seem to be adequate appreciation on the part of the government of India and the state government that the interests of the workers and the growers are indissolubly linked with the fortune of the industry. Take-over and nationalisation may help to protect workers and growers for the time being but unless effective steps are taken to improve the financial position of the industry and strengthen its competitive capacity, the entire economy and of the eastern region in particular, will be severely affected.

The export of jute goods in the first three months of the current financial year amounted only to 97,200 tonnes compared to 134,500 tonnes in the similar period of the previous year. Production was lower at 298,000 tonnes against 304,000 tonnes in the first quarter of the last fiscal year. The June-end stocks stood at 144,500 tonnes against 110,000 tonnes in April. The government of India has urged the Indian Jute Mills Association (IJMA) to set up its own centres for buying raw jute and to persuade its members to supplement the activities of the Jute Corporation in regard to price support. The mills have been assured of adequate credit facilities for implementing this programme. But at the same time, the government should try to improve the demand for jute goods both from abroad and from within the country.

It is not known when the Bose-Mullick Committee which has been enquiring into the problems of the industry for the last seven months will submit its report and how soon the government will be able to implement its recommendations. Meanwhile, the government should pursue a realistic policy in regard to the purchase of jute goods by the Directorate General of Supplies and Disposals (DGSD). The industry has often complained that the DGSD's purchases have been irregular, the prices offered are far too uneconomic, and that, as a result, the mills have been forced to resort to distress sales and incur heavy losses. The IJMA has suggested that the government should immediately purchase at least 40,000 tonnes of B-Twills at the price recommended by the Jute Commissioner. It has observed that this will generate funds with the mills to pay off some liabilities and also help to halt the falling trend in prices. In the present context of the closure of many mills and the sickness of several others, the government should evolve a long-term purchase policy and pay fair prices.

National plan for oilseeds

THE GOVERNMENT has at last woken up to the need for a national plan on edible oils. Speaking in the Lok Sabha on August 10, Mr A.C. George, the union minister of state for Civil Supplies & Cooperation, said that the government was planning to undertake an annual assessment of production and internal requirements of edible oils and estimate how much could be realised by the export of high-priced items such as castor oil and linseed oil or any other oils. The plan is likely to be prepared by September on a yearly basis. The recent experience, when despite a bumper crop of groundnut the country had to face an unusual increase in the prices of oilseeds and consequently of edible oils has brought about this rethinking on the part of the government. After all edible oil is an essential ingredient of every Indian's food basket as a cooking medium apart from being an important source of nutrition of our already undernourished population.

It is somewhat intriguing that when there was a record groundnut production of seven million tonnes in 1975-76 against just 5.1 million tonnes in the preceding year and the production of other oilseeds was satisfactory, there should have been the spurt in prices. As for exports, out of an increased production of 1.9 million tonnes hardly 275,000 tonnes HPS groundnut were allowed to be exported by the government which was less than three per cent of the total production. The hike in prices appeared to be nothing but speculative in character induced by a slight delay in the onset of monsoons in early July.

While conceding this, it cannot be denied that essentially the crisis in edible oils is that of production. In spite of an overall increase in the production of oilseeds over the years since Independence supply has not kept pace with demand of the rising population. At the moment there are hardly 10 grams of oils available on per head basis in the country against the desirable amount of 57 grams recommended by the nutritional experts for a balanced diet.

Earlier on July 28, Mr George had

convened a meeting of state ministers of Food and Civil Supplies in which he had explained that the national plan would deal with production, remunerative prices to growers and other related matters. He had also said that some captive vanaspati plants might be set up so that government may have an effective control over the distribution of vanaspati in scarcity pockets.

Since the land that can be allotted to the cultivation of oilseeds is limited by the over-riding demand for cereals, any further extension in production can be envisaged in terms of maximisation of yield by developing various agronomic techniques for different soils and climates. Oilseeds are mostly grown in rainfed areas. There is not much possibility of perennial irrigation being extended to it in the near future nor is it needed. But new crops can be introduced and cropping seasons varied to enable water to be provided at critical moments which would ensure the maximum yield.

Most of our attention at the moment is bestowed on groundnut and brassicas. This position needs to be corrected and other crops also brought in for plant protection and development of disease-resistant varieties. Where the brassicas are sown along with wheat, they receive the same attention which is being given to wheat. But where these crops are sown exclusively, they need to be covered by plant protection measures to give good yield.

promising variety

Sunflower of the Russian variety holds great promise as it has an oil content of 45-50 per cent. The quality of this oil is considered good, having 60 per cent poly-unsaturated fatty acid. It has a low seed rate of 10 kg per hectare. The crop is of a short duration of 90 days and can be grown at any time of the year. It can grow in irrigated as well as dry land.

Sunflower crop was introduced in the country in 1968-69 and by 1972 the area covered by it was about 80,000 hectares. target by the end of the fifth Plan is 30,000 hectares. It would be advisable extend the cultivation of sunflower to maximum hectarage possible provided supporting activity is undertaken for richer harvest. The Russians have introduced bee pollination for better seed-setting of sunflower. The National Commission on Agriculture has recommended that this step should be introduced forthwith in this country also to help better yield of this crop. Agriculture is a subsidiary occupation of considerable significance in itself for the rural population, its extension to the areas where sunflower is grown would make it doubly profitable and should be encouraged by every means. The National Commission has recommended a target of two million hectares for this crop. Cultivation of Safflower (Kardi) also has potential because it can be sown in rain-fed as well as irrigated conditions and its quality is rated high because of a high poly unsaturated fatty acid content.

Soyabean is a pulse crop, yet it is rich in oil content as well as in protein. The snag in its cultivation is the high cost of the seed as well as the higher seed rate required per hectare. This can well be borne provided the protein aspect of the crop is fully utilised and better use found for the resultant meal.

subsidy for soyabean

The government has been encouraging the cultivation of soyabean. It has provided subsidy on its cost of seed and fertilisers. Technical services are provided to the farmers and price support has been extended to this crop.

In spite of all the encouragement provided by the government for crushing of cottonseed for the manufacture of edible oil hardly 30 per cent is available for that purpose; the rest is fed directly to the livestock whole, though cottonseed meal is considered more wholesome for cattle than cottonseed whole. Similarly almost the whole of rice bran goes into feeding the cattle notwithstanding all the incentives given by the government for its conversion into oil. This can provide an unlimited source of raw material for the manufacture of oil.

The difficulty in the case of both these crops is the lack of extension work. The farmers need to be educated in the economics of extraction of oil. The Khadi and Village Industries Commission has been making efforts since 1958 at encouraging village ghanis mainly from the employment point of view with no measurable results.

The national plan on oilseeds would of course make efforts at improved production of such oilseeds as groundnut, mustard etc but it is time that concerted attention was given to the possibilities of exploiting minor forest produce for extraction of edible and non-edible oils. At present the soap and other industries impinge upon the edible oils which are needed for human consumption. There are varieties of trees which yield non-edible oils. The seed potential of these trees is estimated at 6-7 million tonnes which can yield at least one million tonnes of oil for industrial purposes.

research in oilseeds

Research in oilseeds is in a nebulous stage. But in certain fields it has worked wonders. Sal fat, for instance, has been processed and exported and cocoa butter extended for use in the chocolate industry. The product is reported to be fetching crores of rupees in foreign exchange annually and providing employment to thousands of people in the remote Adivasi areas. This is just one example of how research in minor forest produce, which at present goes waste, can substantially augment our edible as well as non-edible oil potential particularly in the backward areas for the betterment of the local population.

Immediately all that can be done is to intensify dehoarding measures and suppress speculation in oilseeds. The government is also arranging for the import of 125,000 tonnes of edible oil to tide over the present tightness in supply. The national plan for oilseeds however should see how to make the best use of the raw material for edible oils that goes waste. The crores of rupees that at present are spent on import of oils could be utilised to help in the setting up of oil extraction plants at appropriate places in cotton and rice growing areas for use of cottonseed and rice bran as raw material or in the vicinity of minor forest produce suitable for oil extraction. The Khadi and Village Industries Commission and cooperative agencies should be charged with the collection of raw material and feed back of meal to the farmer for the use of his livestock.

CAPITAL'S CORRIDORS

R. C. Ummat

Oil India's offer • Fertilizer consumption • Engineering exports • MECON-NML tie-up

OIL INDIA Limited, a 50:50 partnership venture of the government of India and Burmah Oil Company, which is currently engaged in exploration and production of crude oil in Upper Assam, including Arunachal Pradesh, has accepted the challenging task of oil prospecting elsewhere in the country, both on-shore and off-shore. It may be recalled that at the last year's debenture payments draw of this enterprise, the union minister for Petroleum and Chemicals, Mr K.D. Malaviya, had stressed that Oil India should think in terms of expanding its operations — of course, within the framework of the policy of the government — not only for assisting the country in becoming self-sufficient in oil but also in the interest of fully utilising the expertise available with it. Oil India is understood to have offered to explore nearly 31,000 kms on-shore and 19,000 kms off-shore in the Mahanadi Delta area and also undertake exploration elsewhere in the country, both on-shore and off-shore, where the public sector oil exploration agency, the Oil and Natural Gas Commission, might not be interested. The two proposals are stated to be under examination by the government.

high hopes

Meanwhile, Oil India is very hopeful of striking oil in the Manabhum area in Arunachal Pradesh where it is currently exploring for oil and drilling a well to a projected depth of 15,000 ft. This well is expected to be drilled to the desired depth and also tested by the end of October or the beginning of November. The drilling work is going on smoothly despite the recent floods and a landslide. This will be perhaps the first well to be drilled to such a depth on-shore in the country. The development of the Nahorkatiya and Moran oilfields is being kept up to yield around three million tonnes of crude oil per annum until about 1990.

restructuring Oil India

The talks between Burmah Oil and the government of India on the restructuring of Oil India are expected to be resumed soon, as indicated by the minister for Petroleum and Chemicals in Parliament a few days ago. The Burmah Oil team for negotiations will include Mr G.N.S. Robertson, who very ably piloted the finances of Oil India in the difficult years of its formation and initial operations and was successful in securing from the UK government and British banks foreign exchange loans worth about Rs 30 crores for laying the crude oil pipeline from the Nahorkatiya and Moran oilfields to the Noonmati and Barauni refineries — the first such pipeline built in the country. This pipeline is envisaged to be expanded in the near future to move not only the three million tonnes of Oil India's crude oil to the two refineries but also 2.25 million tonnes of ONGC crude from Upper Assam. Over one million tonnes of ONGC's crude is already being moved through this pipeline to the refining ends.

Although Mr Malaviya did not spell out what exactly the government intended to do for acquiring an effective control over Oil India, yet it appears that it is not averse to keeping some interest of Burmah Oil in this enterprise so that its expertise can be taken advantage of. The government can secure an effective control over Oil India in two ways — either by taking over the enterprise fully or by going in for the pattern of the take-over of the Esso's Trombay refinery a couple of years ago. Complete take-over will require negotiation of a consultancy agreement with Burmah Oil if the interest of this one of the premier oil prospectors of Britain is to be maintained in oil exploration here. A more useful arrangement, however, would be the acquisition of 74 per cent equity of Oil India by the government and allowing Burmah Oil to retain the remainder 26 per cent. This will obviate repatriation of sizeable amounts of foreign exchange which will be necessitated on account of payment to Burmah Oil if its entire share in the present equity of Oil India is taken over. It will also keep alive Burmah Oil's active interest in the operations of the reorganised Oil India. Besides availing of Burmah Oil's technical expertise through having this arrangement, the government can also take advantage of its association in securing further foreign exchange loans which might be needed for the expanded programmes of the joint venture.

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The consumption of fertilizers during the current kharif season is understood to have gone up substantially, thanks to the cuts effected in their prices after July last year, massive promotional efforts undertaken and satisfactory monsoons. According to the reports received by the union ministry of Agriculture, the overall increase in the offtake of fertilizers during the current kharif season has gone up by about 3.5 lakh tonnes from slightly over 10 lakh tonnes during the last kharif season. The sharpest increase has been registered in the offtake of phosphatic fertilizer (P_2O_5) — nearly 53 per cent — the prices of which had been reduced after July last year by over 30 per cent. The offtake of nitrogenous fertilizers (N) has improved by 29 per cent and that of potash (K_2O) by 38 per cent.

The above trend has evoked optimism that along with good rainfall in the recent weeks in almost all parts of the country, the current kharif crop should turn out to be distinctly above average. If there are brief showers next month on the eve of the ripening of the crop, the harvest may even be a bumper one.

It is also felt that thanks to the encouraging increase in the consumption of fertilizers during the current kharif season, this year's target of applying 36 lakh tonnes of fertilizers — 26.5 lakh tonnes N, 6 lakh tonnes P_2O_5 and 3.5 lakh tonnes K_2O — to farming can be easily achieved, if not surpassed.

Taking into consideration the past experience that the consumption of fertilizers during the rabi season amounts to nearly twice as much as in the kharif season, the overall requirements of fertilizers this year can easily go up to nearly 38 lakh tonnes. The situation is being kept under close scrutiny so that timely arrangements can be made to make available to farmers this essential farm input in the requisite quantities. Earlier this year, imports of fertilizers had been staggered in view of the increase in the domestic production as well as large stocks that had accumulated following sizeable imports and near-stagnation in demand in the last two years because of high prices and some other factors, including insufficient rain in 1974.

record production

It is hoped that the present installed capacity of 29.73 lakh tonnes to produce nitrogen and 6.9 lakh tonnes to manufacture P_2O_5 would yield at least 19.5 lakh tonnes N and 4.8 lakh tonnes P_2O_5. This level of output of phosphatic fertilizers had been estimated taking into consideration the likely demand. If the demand grows further, no difficulty is likely to be encountered in raising the production of this input even beyond the 4.8 lakh tonnes level. All the requirements of K_2O are met through imports, as there is no worthwhile production within the country. The supply of nitrogenous fertilizers too is stated to be quite satisfactory at present. But if the situation warrants, resumption of imports of these fertilizers is not ruled out.

The production trends in the first three months of the current financial year, in fact, show that the targetted output of 19.5 lakh tonnes N this year may even be exceeded to some extent. At least four units of the Fertilizer Corporation of India (FCI) are stated to have exceeded the targets set for them for the three months to June — the Trombay project by 22 per cent, the Namrup unit by 33 per cent, the Durgapur plant by nearly 25 per cent and the Nangal factory by 14.5 per cent. The total production of FCI during the three months to June at 94,000 tonnes N was higher by as much as 28,000 tonnes campared to the output during these months last year. The target fixed for the three months was exceeded by 7.5 per cent.

Encouraged by the performance of exports of engineering products during the last financial year when they fetched over Rs 400 crores worth foreign exchange, the Engineering Export Promotion Council (EEPC) has fixed a target of Rs 500 crores for the current financial year and Rs 650 crores for 1978-79, the terminal year of the current five-year Plan. By the turn of the current decade, these exports are expected to touch the Rs 1,000-crore mark.

These expectations of the EEPC cannot be said to be off the mark if note is taken of the fact that a near breakthrough has been achieved in the recent months in securing several prestigeous turn-key projects abroad. In fact, if the idle capacity in the industry can be fully utilised and vigorous promotional measures are taken by the government, engineering goods exports, the EEPC expects, can even be stepped up to Rs 1,000 crores in the next two years and as much as Rs 1,500 crores by 1980.

The latest turn-key project bagged from abroad is for the building of an integrated modern township by the public sector enterprise — Engineering Project (India) Limited (EPI) in Kuwait — to be named Hadlan — costing Rs 230 crores in foreign exchange. This contract, signed on August 14, is the largest single one awarded by Kuwait to any company and also the largest contract received so far by an Indian undertaking. It constitutes the first phase of the township under which 3,317 dwelling units will be built along with such infrastructure facilities as roads, water supply, electricity, communication systems, super markets, schools, libraries and community centres. The dwelling houses will be largely meant for the fixed income groups. The sponsor of the project — the National Housing Authority (NHA) of Kuwait has also asked the EPI to submit plans for the second phase of the township which will cover construction of another 2,000 houses.

For executing the project, the EPI has formed a joint venture with Pacific Consultants International of Japan (PCI). The Japanese concern will be rendering engineering and architectural services, while the EPI would be responsible for the entire construction management.

Besides providing technical manpower for executing the project, the EPI will be able to help export to Kuwait half a million tonnes of construction materials, including three lakh tonnes of cement. As much as 10.000 tonnes of cement and 5,000 tonnes of other materials such as steel, timber, pipes, sanitary fittings, etc, will have to be moved per month. The project is to be completed within three years.

According to Mr Mohd. Fazal, Chairman and Managing Director of EPI, who signed the contract with the National Housing Authority of Kuwait, we can aim at earning in this region alone Rs 500 crores per annum from turn-key contracts during the next few years as ambitious plans for development have been drawn up by the authorities there.

In order to give a further fillip to the development of metallurgical industries from research and development level to a commercial scale, an agreement has been signed between the Metallurgical and Engineering Consultants (India) Limited (MECON) and National Metallurgical Laboratory (NML).

Under this agreement MECON, the public sector engineering and consultancy organisation, and NML, a constituent unit of CSIR dealing with research and development work in the metallurgical field, will jointly carry out the work for study, scale-up, engineering input and development and commercial exploitation of processes/projects developed or that will be developed by NML in future. This will also include preparation of pre-investment feasibility reports, assistance in marketing and detailed engineering services.

Workers' participation in industry

S. K. Bijlani

The author, who is production manager in Molins of India Ltd, has examined the methods of workers' participation practised in Yugoslavia, Peru and West Germany. He has come to the conclusion that we in this country have not made much progress in this regard because of lack of proper understanding of the concept, absence of strong representative trade unions which believe in constitutional means, absence of progressive employers and lack of sufficient interest by workers due to educational, economic and social factors.

THE CONCEPT of workers' participation has its roots in the ageless democratic ideals stressing dignity of the individual and the value of freely stated opinions before a decision is taken. Although the idea is emerging as a social reality in our time, as an ideological concept, its seeds go back to the end of the 18th century. Yet today the concept suffers from too much loose talk and thinking. In fact, the concept of workers' participation signifies different things to different people. Each group seems to view the concept from its own objectives and motivations.

The managers, and experts on management, view the concept as an instrument to improve the overall performance of the organisation. In their thinking workers' participation in industry promises cooperation by providing opportunity to workers to take part in those decisions which effect their jobs. The exchange of information and opinion bring the individual worker close to the overall scheme of things, promotes cordial relations between workers and management and creates an environment conducive to increasing productivity and efficiency.

social relationship

For trade unionists and advocates of 'industrial democracy' the concept emphasises the establishment of a new order of social relationships and a new set of power equations within enterprises. This does not mean that they are not concerned with improving organisational performance but, in terms of relative importance and priorities, they hold the view that the functioning of economic activity is by its very nature social. The objective in this approach is to gain control over decision-making process within the enterprise.

Political objectives in certain countries, on the other hand, may aim at applying the concept of workers' participation within the economy as part of its political strategy. In communist countries where all industries are controlled by the state this scheme extends the party's control through its representatives to the level of the industry

The basic contradiction underlying these views is whether the concept is an instrument to a goal or a goal in itself, whether participation is a tool to achieve economic prosperity of the enterprise or an end to be pursued for its own sake. This is a universal dilemma and it is not confined merely to India. Plurality of objectives leads to different interpretations which in turn gives rise to a variety of schemes.

POINT

OF

VIEW

No wonder the old story of the blind men meeting with an elephant on the road is so popular. For each group in the country sees the same elephant—the concept of workers' participation—from a different angle of vision. The owner of the company—like the blind man who felt elephant's trunk—thought that it was a snake; the manager—like the blind man feeling the elephant's belly—thought himself to be up against a landslide; the trade unionist—the blind man feeling the elephant's leg—concluded that it was a tree. People from different groups often do not realise that they are talking about the same thing when in reality they are poles apart.

A workable method of participation depends directly on what we understand as the objectives of workers' participation. It determines the extent to which we can go in changing the existing pattern of relationships within an enterprise. The following examples drawn from three different countries show how divergent schemes of workers' participation function in industry in different settings.

Yugoslav pattern

Yugoslavia—In Yugoslavia the employees elect a Workers' Council for two years with half of it retiring each year. No person may be elected more than twice in succession. The Workers' Council manages the organisation either directly or through the management bodies which they elect. They have the right and obligations to (1) organise production and other activities; (2) determine working conditions and conditions of employment; (3) decide on the use of collective assets, etc, provide for expansion.

The exective body of the Workers' Council is the Board of Management. It is elected by the Workers' Council from the employees in the organisation. An ex-officio member of the Board of Management is the manager or director who organises things when the Workers' Council and the board have made up their minds. He is appointed for four years and may be re-appointed after the usual competition. Persons "fulfilling the conditions prescribed by law and in the bye-laws of the organisation" go before a selection board who make their recommendation to the Workers' Council and who, if they agree, make the appointment. The selection board consists of six persons; three appointed by the Workers' Council and the rest by the local Commune. The law states "the means of production are the property of the community". Other outside bodies which may influence the Workers' Council or its members are the trade unions, the League of Communists, and the Youth Association.

Peru—The Industries Act 1970 in Peru lays down that every industrial undertaking must pay 10 per cent of the net income for distribution to workers—50 per cent evenly divided and 50 per cent in proportion to the basic pay of workers. In addition every industrial undertaking with six or more workers must have an 'industrial community', comprising all full-time permanent workers, one of whose objectives is 'to unify the workers' action in the management of the undertaking in order to safeguard its rights and interests as guaranteed to them—as participants in ownership. The main assets of the community come from the company which must normally capitalise 15 per cent of net income until it totals 50 per cent of the registered capital. At this stage, shares are issued by the community, the value of each being the total value of all shares divided by the aggregate of months worked by all members of the community. The individual worker is then allotted community shares according to the number of months he has worked. After this, the 15 per cent company donation may then be invested in state bonds or in new undertakings or developments, so long as the holding in the employing company does not fall below 50 per cent.

statutory obligations

West Germany –The trade union movement is the oldest in West Germany. In 1951, the Co-determination Act made it obligatory in the coal and iron and steel producing industries, for the supervisory board to have 5 out of 11, or 7 out of 15, or 10 out of 21 of its members approved by the unions. Although the Workers' Conucils elect one "white-collar" and one "blue-collar" representative each and are consulted by the union over the others, the latter has the power of veto. One of the respresentatives must have no connection with the union or the company. The shareholders or the other 'elected body' appoint the same number of members and again the "additional" man must be unconnected with any employers' organisation or the company. These 10 or 14 or 20 people then put forward to the electoral body the name of the person they want in order to complete the permitted number. He must be unconnected with either side of the company and has to be approved by at least three respresentatives of the shareholders and workers. The labour director (on the management board) must be approved by the workers' representatives on the supervisory board.

The point being made is that for success it is imperative that every national norm must reflect its own social structure and sense of values. Transplanted solutions do not thrive in alien soil.

trusteeship philosophy

Managerial style in enterprises is long over due for change from directive to participative. The ambient conditions have changed so rapidly that none of us can afford to disregard the fact that workers are members of the same fraternal and kinship group and are partners in the joint venture. Proceeding on the basis of this theme Gandhiji had developed his own philosophy of trusteeship and class collaboration. It no longer needs a 'progressive' mind to acknowledge the inescapable necessity of workers' participation.

Yet, the greatest disservice which one may do to a noble concept is to repeat it too often and pay lip service to it. Periodic chanting of workers' participation slogan diminishes its meaning and it is important we take a serious view and examine the realities. What does, for example, the concept of democracy mean ? Does it mean that everyone shall have a say or that everyone shall share the fruits ?

In the words of Douglas McGregor, the nation is one of the most misunderstood ideas that has emerged from the field of human relations and so needs clarification. He defines it as consisting basically of creating opportunities under suitable conditions for workers to influence decisions affecting them. It is a style of management which involves workers in decision-making process. This I must stress does not amount to sharing of ownership, or vesting the workers with day-do-day management of the concern, or expecting the workers to control the business policy of the concern. In this sense the choice of the words "workers' participation in industry" is deliberate as distinct from "workers' participation in management".

The real participation of workers in industry is a mode of social cooperation between labour and capital. It is not a joint consultation to discuss merely the peripheral details of company such as picnics and minor welfare measures. While the management bears full responsibility for the decisions and must not give up its decision-making authority to the vote of a section of workers, it must accept with good grace the suggestions which promise to be productive, discuss plans and allow participation to the extent that the workers' views expressed in the meeting carry some weight in management decisions. Some of the problems which workers could meaningfully participate in are:

(i) improvement of efficiency;

(ii) elimination of wastages;

(iii) better utilisation of machinery and manpower;

(iv) study and reduction of absenteeism;

(v) maintenance of general discipline;

(vi) improvement of physical conditions of working;

(vii) welfare measures; and

(viii) maintenance of communication between workers and management.

field of activities

Management encompasses in its field a gamut of activities ranging from the arrangements of finance to the ultimate sale of products. To take an over-simplified view of management and then coin the idea of associating workers with it is unrealistic and cannot be sustained in practice. If workers' participation in industry is not to be conceded as a matter of charity or patronage then it is necessary that we critically appraise the realities of participation.

If the workers' participation has to become a reality we should assess why previously we have not made as much progress as we should have. Some of the reasons for our slow progress are :

(a) Lack of proper understanding of the concept.

(b) Absence of strong representative

trade union which believes in costitutional means.

(c) Absence of progressive employers who value social obligations as much as, if not more than, their personal gain.

(d) Lack of sufficient interest by workers due to educational, economic and social factors.

A word on the nature of participation is called for : the leading thinker and writer on management Peter Drucker has commented on the relative success of Japanese "participative decision-thinking" compared to American "participative decision-making". The former system avoids win-lose situations. As such, participative decision thinking gives the advantage of taking into consideration all the different view-points—information and opinions—without losing accountability which is at the heart of any successful endeavour. Implementation process is also easier in the absence of a lose-win situation. This is specially relevant to us in India for we must remember that in our culture the decision-making process in the traditional joint family system was essentially of participative decision-thinking type.

Workers' willingness and ability to participate is something we take all too frequently for granted. If the employee is to render specialised services in return for some agreed reward then how realistic are we in expecting him to involve in anything which falls outside his terms of work delegation—in anything for which he is not paid for ? With all the favourable features the success of participation still depends on the attitude towards the idea of participation.

We also need to remember that the feeling of alienation from management exists not only amongst the workers but also the other employees including junior and middle managers. Much is lately being said on managers' participation in management. This is an important problem which we must tackle by evolving a system which is both practical and functional.

If the concept of workers' participation has to become a reality the emphasis must change from chanting slogans to action. The exchange of ideas and examination of our own assumptions would be amply repaid if we would lead it to successful implementation for the concept of workers' participation holds the key not only to industrial peace but also to the prosperity of labour, industry and nation.

Kerala : extensive progress in five years

C. Achutha Menon

Reviewing the progress made by the state of Kerala in the last five years, Mr Menon has pointed to the improvement in the standard of living of the people which has been brought about through imaginative policies in various sectors of the economy of the state. The average per capita income of the state almost doubled from Rs 500 in 1968-69 to Rs 950 by 1975-76. Mr Menon has rightly emphasised the importance of the implementation process which deals with realities and not concepts. Surely, out-moded manuals of procedures are incompatible with the procedures needed for development.

OVER THE last five years and more since the present ministry has been in office, Kerala has had the unique experience, for the first time since the formation of the state in 1956, of having an unbroken spell of political stability which gave a stable government and administration to her people. This single factor contributed in no small measure to the steady and sustained expansion of the state's economy. The continuity of political leadership also helped the government to initiate, pursue and implement many progressive and wide-ranging reforms on the socio-economic front.

The declaration of national emergency in June, 1975 and the announcement of the 20-point economic programme closely following it have added impetus to this process. The favourable impact of these bold and enlightened measures initiated at the national level was felt immediately in the state. The law and order situation improved in a spectacular manner and a sense of discipline dawned on all sections of society. Prices of essential articles such as cereals, pulses and oils started declining significantly. This has enabled the state government to consolidate the gains it had already achieved before the emergency and has paved the way for the smooth and orderly implementation of many socio-economic reforms in an atmosphere of peace and popular enthusiasm.

In view of the crucial importance of agriculture and allied activities such as animal husbandry, dairying, fishing and forestry to the economy of the state, the state government has been according the highest priority to the development of these sectors. With no open frontiers or empty spaces, the only way left to enhance productivity of the agricultural sector is through intensive methods of cultivation. During the last few years, efforts have been made to improve the infrastructural facilities for improved agricultural operations. While production of commercial crops registered significant increases and could fetch considerable foreign exchange to the country (Rs 330 crores) through their exports, the expected breakthrough in rice production could not be achieved.

A number of Intensive Paddy Development Schemes have been launched and efforts are also being made to popularise the 'YELA' method of cultivation. Highest priority is also being given to the development of minor irrigation facilities.

A major development project launched recently has been the Integrated Land Development Scheme covering the Kuttanad area, the rice bowl of Kerala, with assistance from the ARC. A Kerala Land Development Corporation has been set up to implement this project. Though initially

Mr C Achutha Menon, is the Chief Minister of Kerala.

the project got to a slow start due to various bottlenecks, the state government has been making every effort to speed up the execution of this project. Estimated to cost nearly Rs 30 crores, the project, when completed, will help augment rice production by over 70,000 tonnes.

Kerala State Land Use Board was formed last year with the objective of formulating and implementing appropriate policies and programmes for the scientific management of the land so as to ensure optimum utilisation of the limited land resources of the state.

agrarian reforms

During the last five years, a number of agrarian reforms aimed at improving the socio-economic conditions of the peasantry and agricultural labourers have been introduced. The implementation of these reforms received a special impetus in the wake of the announcement of the 20-point economic programme. The Land Reforms Act came into force in the state in January 1970. The main provisions of the Act relate to total abolition of land-lordism and intermediary rights over tenanted lands, confirment of proprietary rights on cultivating tenants, option to hutment dwellers to purchase their homestead sites and appurtenant land, imposition and enforcement of ceiling on land holdings (10 standard acres per family) and distribution of the surplus land. The whole process of land reforms is expected to be completed by the end of August this year.

In the wake of the land reform measures, the government has enacted a number of other agrarian legislations to improve the socio-economic conditions of the agricultural workers. The Kerala Private Forests (Vesting and Assignment) Act of 1971 enabled the state to take over all private forests without paying any compensation. The enactment of the Agricultural Workers Act, 1974 was yet another piece of progressive and dynamic legislation—perhaps, the first of its kind in the country. It envisages security of employment for agricultural workers, fixity of terms of work, minimum wages and provision for provident fund. The Act is being implemented in a phased manner. All these measures are expected not only to hasten agrarian development but also to restructure the rural economy in favour of the vulnerable sections of the community.

As in the rest of the country, rural indebtedness has been a major problem in Kerala. Its magnitude has been estimated at over Rs 100 crores. The state government has enacted the Kerala Debtors (Temporary Relief) Act, 1975 to give relief to the indebted artisans and landless labourers. To meet the credit requirements of the rural population and other weaker sections of the society, the state government recently launched a highly successful deposit mobilisation drive through the state cooperative institution. As against a deposit target of Rs 20 crores, as much as Rs 26 crores could be collected. It is hoped that through a rational deployment of this credit, it should be possible to meet the credit requirements of the small farmers and other weaker sections of the society.

upgrading the stock

In the field of animal husbandry, the development emphasis has all along been on the upgrading of the cattle stock. Considerable headway has been made in the implementation of cross breeding programmes through key village blocks, intensive cattle development blocks and the Indo-Swiss Project. A Jersey farm is also being set up to assist this programme. To ensure a co-ordinated and integrated approach towards development of animal husbandry and dairying, the state government recently set up the Kerala Livestock Development and Milk Marketing Board.

The fisheries sector supporting about two per cent of the total state's population is of immense importance to the state's economy as a source of cheap protein food, and to the national economy as a valuable source of foreign exchange. To give fillip to the fishing industry, an integrated project has been drawn up covering the three important fishing harbours at Neendakara, Vizhinjam and Beypore. It envisages construction of fishing harbours, development of offshore facilities and an organisation for processing and marketing of fish and fish products. Implementation of this project is expected to increase the fish production in the state by additional 100,000 tonnes. The socio-economic conditions of fishermen are also being improved through the strengthening of fishermen's cooperatives.

Exploitation of the forest wealth of Kerala is important to the state's economy not only because of its industrial significance, but also from the point of view of its socio-economic impact on the weaker sections of the rural community, especially the tribals. The Kerala Forest Development Corporation was formed in January, 1975 to formulate and implement an appropriate forest development policy for the state. The state government has been putting emphasis on imparting an industrial orientation to forest development to meet the requirements of wood-based industries.

One of the most impressive achievements has been in the field of hydro-electric energy. The completion of the first phase of the prestigious Idukki project will be achieved in the current year. The project was dedicated to the nation by the prime minister in February last. When the first phase is fully commissioned, power generation capacity will go up from 621 MW to 1011 MW. The partial commissioning of Idukki, acclaimed as one of the greatest hydro-electric projects of the world, has been made possible by the rapid pace of construction during the last two years.

significant event

In the field of transport, an event of major significance was the formation of the Cochin-based Kerala Shipping Corporation in 1974. The corporation has already acquired its first ship with a capacity of 20.000 tonnes.

On the industrial front, though considerable progress has been achieved during the last five years, the state still lags behind the rest of the country. The government has been trying to implement a three-pronged strategy consisting of fuller utilisation of installed capacity of existing industries, starting of new industries, based on locally available raw materials and rejuvenating the traditional industries such as coir, cashew and handloom. To achieve these objectives certain organisational innovations have also been brought about such as the setting up of (i) the Kerala State Industrial Enterprises (a holding company for the development and control of the six government-owned companies) (ii) the Kerala Industrial and Technical Consultancy Organisation (KITCO) for processing industrial project reports and arranging for their finances, (iii) the Kerala State Electronics Development Corporation for development of electronic industry and (iv) the Kerala State Small Industries Development and Employment Promotion Corporation to give a boost to the development of small scale industries in the state. In addition to these organisations, the state has already been having a State Industrial Development Corporation and a separate financial corporation to promote industries in the state.

development programmes

Special mention is necessary regarding the development programmes envisaged in respect of the electronics industry and small-scale industrial units. The Electronics Development Corporation set up in 1973 has already taken significant strides in the implementation of its different schemes. The corporation has an installed capacity to manufacture 5,000 television sets per annum. During 1974-75, 1,000 television sets had actually been manufactured. The corporation has also started manufacturing electronic calculators which are already in the market. It has entered into a collaboration with the Sprague Electromag of Belgium for the production of electrolytic and monolythic capacitors.

In the field of small-scale industries, a massive programme of starting 10,000 small-scale units has been drawn up. This is being implemented in a phased manner. Ultimately, this is expected to generate 100,000 job opportunities in the state. An Industries Development Commissionerate has also been created to handle problems of developing these industries on desired lines.

Various steps are also being taken to solve the problems of traditional industries of coir, cashew and handloom. These industries have been facing different kinds of problems such as scarcity of raw materials, marketing, finances, etc. For the coir industry, a master plan for development involving an outlay of Rs 44 crores has been drawn up and submitted to the central government. Implementation of this plan will help eliminate middlemen and bring under cooperative sector genuine coir workers.

An aspect that needs special mention in the context of industrial development of the state is the rapid step-up in central investment witnessed in recent years While only an investment of Rs 68 crores was made up to the end of 1968-69, by the end of March, 1974 this went up to Rs 174 crores. On Cochin shipyard alone, total investments since 1969 amounted to Rs 55 crores.

In the field of medical and health facilities also, Kerala leads other states. Despite a rapid increase in population, the number of beds available per 100,000 of papulation increased from 100 in 1969-70 to 105 by 1974-75. Every panchayat in the state has now been provided with a government dispensary. Family planning programme also showed striking achievement. The national objective of reducing birth rate to 30 per 1000 was achieved in Kerala even as far back as in 1971.

assistance from LIC

In the field of water supply schemes, considerable progress was possible, thanks to assistance from the Life Insurance Corporation. All the towns in Kerala are now having protected water supply. A separate Kerala State Rural Development Board has been set up to expedite implementation of water supply schemes in the rural areas of the state.

In the field of housing, the state government could achieve notable progress. The 'One Lakh Housing Scheme' launched by the government has caught the imagination of the whole country. The scheme is intended to benefit the landless poor in the state. So far, about 50,000 houses have been completed. The state government has also been trying to popularise low-cost building technology in the state based on the recommendations of an expert committee appointed by the government. A state construction corporation has also been set up last year to undertake construction works in the public sector.

One of the significant achievements of the government consists in building up a state-wide public distribution system for supplying essential items of mass consumption at controlled prices. There are today over 12,000 ration depots in the state. A state civil supplies corporation was formed in 1974 to look after the effective implementation of the public distribution scheme.

An important aspect which needs highlighting is the emphasis the state government has been giving in promoting Research and Development (R&D) to back up development activities in different sectors. In the field of agriculture, an agricultural university has been set up to initiate and develop relevant research programmes and studies. A forest research institute has been set up to take up studies and research in conservation, development and management of forest resources and their optimum utilisation. The R&D wing in electronics has been strengthened to promote the rapid development of the electronics industry. In the field of medicine, a Centre for Advanced Research in Cardiology and Neurology has been set up. Similarly, a centre for development studies has been set up to undertake studies and research in the area of planning and economic development. What is important is that all these institutions are autonomous bodies working on an all-India basis with a national outlook. The government can claim legitimate pride in setting up such centres of excellence in the state.

twin problems

Despite the government's development efforts in various fields, effective and long-lasting remedies are yet to be found to the twin problems of proverty. Though the average per capita income of the state has almost doubled during the last five years from Rs 500 in 1968-69 to an estimated Rs 950 by the end of 1975-76, the benefit of this increase has not accrued equitably to all sections of the community. To rectify these deficiencies, it is necessary not only to mobilise more resources but also to develop a more integrated and scientific approach to the development problems, for economic development is part and parcel of a broader process of social transformation and it requires persistent and well-directed effort. It also requires a good deal of public participation.

The implementation process deals with realities and not concepts. Outmoded manuals of procedures are incompatible with the procedures needed for development. Besides, the entire public administration has to be forged into an efficient instrument of public purpose before effective plan execution can be achieved.

Tea: outlook for export

Badar Alam Iqbal

The author has brought out the major problems facing the tea industry and has made certain suggestions which, in his view, will lead to increased earnings through enhanced exports.

THE TEA industry provides employment to about 850,000 workers and contributes about Rs 224 crores to the foreign exchange earnings of the country.[1] Besides, it supports a number of ancillary industries and services and contributes materially to the central and state exchequers. India is the largest producer of tea in the world and it is the principal beverage of the common man in India.

Indian tea accounts for 33 per cent of the world tea production and 32 per cent of the world exports.[2] It accounts for about eight per cent of the country's export trade.[3] In spite of the fact that this industry occupies a significant position in the Indian economy, it is losing ground domestically as well as in the world export market. During the recent years, the pattern of tea exports has been shifting against India and the competing countries are Sri Lanka and East African countries.

regional concentration

Tea is grown in many regions of India but tea plantations are concentrated in north-east India and around the Nilgiris in south India. In north-east India, tea is grown at the foothills of the Himalayas and eastwards in the Assam Valley. Added to this, considerable quantity of tea is cultivated in the Cachar district and Tripura. In north-west India a considerable amount is cultivated in Kangra, Mandi and a fair amount in Dehra Dun.[4] This area has a large number of small gardens and it specialises in the production of green tea. Down south tea is grown in the Nilgiris, Annamallais and the slopes of the mountains stretching down to the plains of Kerala. The area-wise production of tea is given in Table I.

The production of tea established another record at 490 million kg during 1974-75 surpassing the earlier record of 472 million kg reached in the previous year, by 18 million kg or 3.8 per cent. The entire increase in output was brought about by the rise in the output in northern India. Tea output in northern India rose by 21.9 million kg to 390 million kg, but the output of southern India declined by 3.7 million to 100 kg.

extensive cultivation

Tea is produced in comparatively large estates and it lends itself admirably to the plantation system. The availability of land at very cheap rates to the original planters led to extensive cultivation rather than intensive cultivation. Secondly, tea requires costly processing factories within or near the estates. Thus, tea industry is characterised by a vertical integration of production units, viz a combination of landholdings and factories.

The trends in area under tea plantation, production, productivity and domestic consumption of tea for the period 1950-51 to 1974-75 are given in Table II (p. 420).

The area under tea plantations has increased from 315,656 hectare to 360,000 hectare i.e. an increase of 14 per cent in 1974-75 over 1950-51, while production has increased by 211.8 million kg (76%) during the same period. The projected estimate for production in 1978-79 is 560 million kg.[5] As the rate of increase in area is far less than the rate of increase in production, it is evident that increase in production is mainly through enhance productivity. As production has been rising at the rate of about three per cent a year, and domestic consumption has been going up by four to five per cent[6] per annum, it is obvious that the rate of production will have to be stepped up if the export performance is not to suffer.

After emerging as the world's largest supplier of tea in 1904, India was removed from that position in 1965 by Sri Lanka. Table III (p. 420) shows the performance of leading tea-exporting countries of the world from 1953 to 1975.

India's export of tea declined from 227 million kg in 1953 to 224 million kg in 1974-75 which was marginal. Export of tea from Sri Lanka increased from 152.2 million kg to 160 0 million kg. The total world exports of tea increased from 418 million kg to 612 million kg i.e an increase of 40 per cent between 1953 to 1970

Tea is one of the largest foreign exchange earners of the country; India exports tea to over 20 different countries of the world of which the Unted Kingdom buys almost 50 per cent of the total. The USSR, the UAR, Afghanistan and Sudan are some of the other big buyers

TABLE I

Production of Tea in India in 1974-75

(million kg)

Name of region/state		% to total production
Assam	237	48.4
Cachar	28	5.7
Darjeeling	11	2.2
Dooar	92	18.8
Terai	15	3.1
Others	6	1.2
Total North India	390	79.6
South India	100	20.4
Indian Total	490	100.0

Source : Bank of India Bulletin, Bombay, Vol 13, No 5, May 1975.

of Indian tea. The direction of Indian Tea exports is given in Table IV.

Table V shows the share of tea exports to total exports from 1953 to 1975.

The export earnings from all commodities have increased by 476 per cent from 1953 to 1975, while earnings from tea showed an increase of more than 115 per cent during the same period. It is estimated that the country may be able to achieve the target of Rs 230 crores fixed for export of tea in the current year. Further it is estimated that by 1985, tea exports would not be less than Rs 400 crores[8] in value. While total export earnings have increased between 1953-54 and 1974-75, the share of tea in percentage terms has gone down. It is mainly due to higher rate of increase in export earnings in the case of other commodities as compared to export earnings from tea.

stagnant exports

Thus, there is no improvement in the export performance of Indian tea after 1970. The volume as well as value of export remained virtually unchanged until 1973-74. The percentage contribution of tea to total export earnings also fell. This was no different from the experience of the previous decade. An almost stagnant world demand coupled with fierce competition from Kenya obviated limited possibilities of growth. What is more, tea was one of the few commodities which did not benefit during the commodities boom. In 1974, however, a poor crop in Kenya led to a sharp increase in London auction prices. As a result, the unit value of Indian tea rose from an average of Rs 7.55 per kg during 1970-71 to Rs 9.96 per kg in 1973-75.[9] The net outcome was on increment of more than 50 per cent in the rupee value of exports. Clearly such factors do not constitute a sustainable basis for export growth.

During the period under review, the total world production of tea increased by 112 per cent ie from 653 million kg to 1385 million kg.[10] It has not been only due to intensive cultivation in the traditional producing countries, but also due to the new plantations in countries such as Australia, South Africa and Nepal. Due to increased production, there has been a greater competition among the tea producing countries for the sale of their produce. Indian tea also faces tough competition. Added to this we have inadequate propaganda machinery for export promotion of tea as compared to the efforts made by other countries.

The tea industry has no reason to despair about its future on account of its shrinking share in the world export market. Though export growth is important from the point of view of foreign exchange earnings, there is still a vast expanding domestic market to sustain the industry. The Lamond Committee reckoned that annual growth rate has to be raised from the current level of 1.9 per cent to at least three per cent during the current decade, if domestic consumption which is rising at four to five per cent a year is to be met without improving exports. It means that large-scale development in yield has to be undertaken. All this needs heavy input of funds, particularly term finance. It has been estimated that Rs 150 crores would

TABLE II

Area, Production, Productivity and Domestic Consumption of Tea from 1950-51 to 1974-75

Year	Area (in hectares)	Production (million kg)	Productivity (in kg/ha)	Domestic Consumption in grams (per head)
1950-51	315656	278.2	881	230
1953-54	318642	278.6	875	245
1957-58	323285	310.8	961	257
1961-62	331221	354.3	1070	309
1965-66	341742	366.3	1072	337
1966-67	345252	375.8	1086	365
1967-68	347657	382.4	1100	351
1968-69	353359	393.5	1121	353
1971-72	356516	432.8	1215	392
1972-73	358420	456.0	1255	409
1973-74	359000	472.0	1309	421
1974-75	360000	490.0	1360	435

Source : Compiled from 'The Case of Tea' published by United Planters Association of Southern India.

TABLE III

Export of Tea-Producing Countries of the World

(In million kg)

Year	India	Sri Lanka	Indonesia	East Africa	Total export
1953	227.0	152.2	29.3	15.5	417.7
1957	220.0	166.8	38.8	28.8	514.6
1961	206.3	193.3	33.4	41.4	545.0
1965	199.4	224.2	24.9	50.1	572.2
1968	208.3	208.7	37.1	62.6	621.2
1970	202.4	208.3	35.6	75.6	612.0
1972	207.3	190.3	38.5	115.5	N.A.
1974	192.0	160.4	N.A.	110.5	N.A.
1975	224.0	N.A.	N.A.	N.A.	N.A.

Source : Times of India Directory and Year Book 1950/1976.

be needed to maintain the growth rate of three per cent. This is clearly not beyond the capacity of the financial institutions.

Since Independence both the central and state governments have been progressively increasing the tax burden on all the sectors of the economy. Among commodities hit by the tax burden, tea has been the worst sufferer. On the one hand it is felt that the quality of Indian tea has deteriorated, on the other India's export policies are also, faulty. They are not export-oriented though full functional responsibility was taken by the government under the Tea Act, 1952. Added to these, one of the greatest anomalies in Indian export policy has been the imposition of export duties.

Another arbitrary tax on tea is the West Bengal Entry Tax. Simply because tea enters Calcutta for sale, it has to pay 14 paise per kg. There should be no incidence of sales tax on tea which is exported. The Kerala government is imposing a tax of five per cent on the sale price even if tea is brought for export in the organised Cochin auction. Sixty per cent of the income from tea is taxed to state argicultural income tax. The rates are much higher under this tax than the central income tax rates. The highest rate in Assam and Kerala is 62 paise in a rupee. The Assam government also levies tax on tea and it continues to do so in spite of the fact that now there is a centre for tea auction at Gauhati.

Only recently a working group of the Reserve Bank of India on tea finance pointed out that the profitability of tea industry is gradualy falling. The study revealed that the profitability of all industries fell from 10.9 per cent in 1960 to 9.3 per cent in 1973-74, while that of tea industry declined from nine per cent to 4.3 per cent in the same period.

The financial structure of tea companies has undergone major changes during the last decade or so. Their dependence on external sources for fund was comparatively higher as compared to the average position for all industries. According to the Reserve Bank of India study, reserves and surpluses came down during 1966-67 to 1974-75, while borrowings increased significantly. Also, outgo of funds by way of interest was substantial.

About 45 years ago, the cost of bringing one hectare of land under tea was placed at Rs 2,500. Since then, there has been a steep increase in cost, the Tea Board has estimated the expenses for new plantations at between Rs 12,500 to Rs 15,000 per hectare. This is regarded as an under-estimate and the industry is of the view that the cost ranges between Rs 18,000 to Rs 25,000 per hectare[11]. The period of gestation in the case of tea gardens is about eight years or so. In these circumstances the high cost of credit acts as a disincentive to planters to undertake long-term development.

Of the institutions now providing term finance facilities to tea industry, Tea Board is perhaps the most important, administering two financial schemes at seven per cent interest with a rebate of 1/2 per cent for prompt repayment. The Tea Plantation Finance Scheme, operated by the Board since 1963 has a fund of Rs 4.50 crores, of which Rs 10 lakhs has been set apart for irrigation loan schemes such as sinking of deep tube wells and construction of reservoirs. The scale of assistance however, is meagre—Rs 11,250 per hectare in the plains and Rs 12,750 for those in the hills. It is suggested that it should be raised to about Rs 20,000 per hectare. The second scheme i.e. the Tea Machinery and Irrigation Equipment Hire Purchase Scheme introduced in 1960 has a fund of Rs 9 crores. Loans provided under this scheme cover fully the initial cost of machinery and equipment

TABLE IV

India's Export of Tea to Principal Countries

('000 kg)

Selected countries	1969	1970	1971	1972	1973	1974	1975
UK	59,856	96,619	71,434	52,213	48,840	58,754	59,630
USSR	24 996	28,763	41,273	41,524	37,321	42,109	56,469
Afghanistan	13,488	10,732	15,947	9,941	8,588	10,690	13,818
UAR	14,287	11,587	9,173	12,876	11,598	12,395	11,353
Sudan	7,358	11,953	12,940	14,344	12,183	8,357	5,892
USA	7,624	7,116	9,046	7,070	7,436	6,980	5,887
Irish Republic	4,624	4,841	5,649	5,957	4,611	6,122	4,645
Australia	3,900	3,688	3,062	3,150	3,355	3,921	3,770
Canada	3,195	3,280	3,845	2,883	2,278	3,520	3,720
Total for all countries	168,709	202,016	207,016	207,274	188,192	205,909	218,099
Value in Rs million	1 205.0	1,487.5	1,553.4	1,565.9	1,427.0	1,888.1	2,246.3

Source : These statistics have been supplied by Tea Board vide letter No. T-17 (11) State/76/1821 dated June 4, 1976.

TABLE V

Value of Tea Export

(Rs in crores)

Year	Total export earnings	Value of tea exports	Share of tea in percentage
1953	524.27	104.22	19.87
1957	586 29	142.82	24.36
1961	680.22	124.25	18.27
1965	803.47	114.97	14.31
1968	1198.00	166.48	13.30
1970	1535.00	148.80	9.60
1972	1607.00	156.50	7.70
1973	1970.00	144.85	7.34
1974	2523.40	201.06	7.95
1975	3023.02	224.00	7.40
1976 (estimated)		230.00	

Source: Reserve Bank of India Bulletin, Oct 1975.

including transport and instalation charges and the loan is repayable in ten or less annual instalments. The maximum value of machinery and or equipment that may be purchased by one tea estate or factory is not to exceed Rs 6 lakhs and the cost of irrigation equipment not to exceed Rs 5 lakhs. It is suggested that the ceiling should increase from Rs 6 lakhs to Rs 10 lakhs. Added to these loan schemes the Tea Board has a Replantation Subsidy Scheme in operation since October 1968, which provides from Rs 4,000 to Rs 5,000 per hectare as subsidy for gardens in the plains and hills respectively.[12]

An indirect source of finance for the tea industry is the Agriculture Refinance Corporation (ARC) whose assistance is available for all developmental activities taken up either individually or under a composite plan which directly or indirectly helps planters to increase production of tea which in turn will lead to increased export. Financial assistance is also available in special cases for clearance of debts incurred for development of neglected estates and virgin lands. Another significant feature of the ARC's scheme is that it has no fixed norm regarding the quantum of assistance for various purposes; the extent of assistance is need-based. In spite of wide coverage of the ARC's scheme, the quantum of assistance availed of from the corporation is not large.

financing agency

The Working Group on Finance for Tea Industry in its report submitted in 1972 had suggested that working capital and term finance should be channelled through a single agency which can undertake an assessment of the over-all financial requirements, work out the tenure of the term loans, lay down the criteria for security, follow-up of the use of funds etc. This however would not mean that the agency envisaged should take on itself the entire financial responsibility; the agency should only apportion the required credit among the various institutions, thus drawing on their resources and specialised know-how and generally act as a sponsoring agent or consortium leader.

The working group had also suggested that the facilities of the IDBI and the IFCI should be extended to the tea industry, by suitable amendments to the concerned enactments. The group felt that an improvement in the institutional mechanism for financing the requirements of the tea industry, though important, was not sufficient in itself to better the performance of the industry. It needed to be supported by fiscal reliefs.

sick estates

Another handicap is the revival and rehabilitation of the closed and sick gardens. The union Commerce ministry has recently submitted a detailed note suggesting that sick and closed gardens in north-east India be entrusted to the Indian Tea Industry Development Association (ITIDA) for rehabilitation. The ITIDA, incorporated under the Companies Act in early 1974 has Rs 25 lakhs by way of voluntry subscription which it can use as seed capital. At the state level, the Tea Trading Corporation of India may be assigned a limited role. Out of the 43 sick tea gardens some 25 can be nursed back to health. While seven of them hold out no prospect for revival.

The government of India is deeply interested in achieving a major breakthrough in tea exports during the coming years. It is anxious to sort out the constraints regarding the development of a new type of export trade and tackle the same in a pragmatic way.

The tea industry will have to accept new ideas deviating from the traditional practice of producing tea in bulk and selling the same at auctions. The government feels that this is the time when the industry can introduce added value items in the export list. Items for consideration are tea packets and tins, tea bags and instant tea. Right now India produces something like 95 million kg tea in packets, but not more than six million kg are exported. This situation can be improved as the market is developing fast in west Asia and north Africa. In respect of tea bags India's performance has not been encouraging. For producing tea bags, some special type of machinery will have to be imported. Even so, the present target is to increase the production of tea bags from the present capacity of 200 tonnes to 1000 tonnes by the end of the fifth Plan period.[13] The Tea Trading Corporation may be getting one machine for producing tea bags very soon.

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Eastern Economist 30 Years Ago

AUGUST 30, 1946

In recent articles in these columns it has been urged upon the government that determined action on the economic front is immediately necessary if a dangerous inflationary spiral is to be averted. The principal steps indicated were a firm price policy, a national wage policy and an energetic production drive. It is intended in the present article to concretise these measures and clothe some of them with detail, in order that their administrative practicability may be above dispute. The formation of a popular government at the centre will undoubtedly create a more favourable environment and improve the chances of early implementation of these urgent measures.

The first step in the new economic policy would be for the Government to decide upon what range of general level of prices would be reasonable and sustainable for the post-war transition, to make an announcement of its decision and follow it by all means at their disposal to enforce that level. An essential condition of the Government's ability to effect this is a halt to the vicious wage-cost spiral being witnessed now. This in turn can be accomplished only by the early formulation of fair terms of industrial peace and their strict enforcement. Without a national price policy and a policy for industrial peace, all other efforts would be infructuous.

WINDOW ON THE WORLD

The 'Snake' in a fever

E. B. Brook, Vienna

Both the British and French currencies have been under pressure in recent weeks. The West German mark has however gained in value leading to the expectation by bankers that it would once again be revalued. That seems to be the only way to save the European Currency System, popularly known as the "Snake".

As EUROPE relaxes by its seashores it is conscious of some sultry, stormy days to come. Mercifully for the holiday-makers there is no current crisis but there is enough uncertainty in this seriously unemployed continent to induce an inclination to make merry while the sun still shines and consciousness of some dark clouds on the not so distant horizon.

The sickest in west Europe at the moment is France. Even more than the British, the French are uncommonly sensitive about their currency. In fact as well as in name, France and the franc are one. None of the careful countryfolk of west Europe are more parsimonious than the Frenchman; none hoard coins more assiduously, especially if on occasion those coins be of gold. No government has more persistently insisted that gold retains its full currency value and that it remains as the backer of all currencies. In the twenties the French experienced a continuous series of crises over the value of their franc that none forget even though the slightly later crisis of the old German mark was more disastrous. For that reason, any weakness of the franc in international exchange is given an importance in Paris probably far beyond its real significance. For several weeks what the French describe as "purely speculative" pressures have been driving down the franc's international value. The Bank of France has spent not less than seven per cent of the national reserves bolstering the franc against even heavier losses on the exchanges and a loan of $500 million to further support the franc is being spoken of.

Rumours that the German mark is about to be revalued are inducing more heavy selling of the franc and putting pressure on west Europe's currency "snake" of allied moneys which the French left for the second time some four months ago. Demand has been consistent for the German mark and the Swiss franc so that a Swiss franc is now, for the first time, worth slightly more than two French francs. The woes of the French franc have been adversely affecting the Belgian franc which has needed at times unusual support by the German Federal Bank in Frankfurt so that the "snake" may not be made unduly feverish.

Bankers in most European centres have become increasingly convinced that the West German authorities will be obliged before long to concede some revaluation in the Mark rate, if only to save the shaky remnants of the European united currency system, the oddly-named "snake"— a singularly delicate reptile. The nearer approach of general elections in West Germany makes the increasingly shaky Socialist-Liberal coalition government more than ever unwilling to assume the embarrassment of allowing revaluation which would make W. German prices on the world markets even more sensitive to eager competition from the many far weaker currencies.

Part of the present British economic recovery is due to the fact that the weak pound enables British manufacturers easily to underquote their German competitors in third markets. The French are also busy assailing the costly German products in the American, Middle East and South American markets. A revaluation of the mark would make their task so much the easier, even though it would certainly reflect reality in the sensitive field of comparative currency values. Bonn's hand may be forced in this matter by a new West German balance of payments surplus and by Germany's low rate of inflation.

uncertain future

The uncertain future of the German government as electors express their opinion in October is less imminent than uncertainty in government circles in Paris, where even the prime minister does not know whether he will have his job when president Giscard d'Estaing returns from his African holiday-tour. This elegant and very self-contained French president is fully expected, when he returns in mid-August to reshuffle his cabinet—another factor unsettling the sensitive franc. There has been increasing disunion between the non-Gaullist president and his Gaullist prime minister this summer over a bill to introduce a capital gains tax in France for the first time. Such a tax was a key element in d'Estaing's programme of reforms designed to lead the "advanced liberal society" which he favours. The Gaullists see the proposal as a threat to the middle class voters who form the bulk of their support. The president wants the tax in order to have some fiscal reform with which to face the powerful challenge of the combined Socialist-Communist left.

At the back of all worries about the

currencies lies west Europe's slowly worsening nightmare about the rising levels of unemployment. Not even prosperous' rich West Germany can avoid this bugbear. While Britain approaches 1½ million workless workers West Germany far more nervously approaches one million with an average monthly increase in worklessness of about 2.5 per cent. France worries even more than Britain about its workless youth and unemployment is the one problem about which the Italians worry also. An advisory group of independent experts of various nationalities has just advised the Manpower Services Commission of the Common Market that it "would be an illusion" to expect a high rate of growth in any economy to restore a satisfactory balance in the labour market. They are unanimous that the structure of unemployment, unusually uniform throughout the Market, is now so massive that mere growth, even at an annual rate of five to six per cent will not cure it.

In blunter words, unemployment on a massive scale has come to stay for a period that cannot even be guessed as a more or less permanant fact of life and economics; the average school and university leaver has for the unforeseeable future little more than a 50-50 chance of getting a job for quite a time after he ceases formal studies. On one hand, despite a recent drop in birth rates, the population of working age is increasing. At the other end, more and more people are being retired at least by 60 and often before, with little likelihood of working gainfully again. Increasingly, as industries become both more labour-exclusive and sophisticated fewer workers are required and fewer of them are able to satisfy the higher standards of machine management required by computer-directed and electronically-worked equipment. An ensured working future appears to lie with those of ages between 20 and 50 whose technical capabilities are increasingly exceptional

The British trade unions suggested remedy of still shorter working hours has met no welcome on the continent, from either employers or workers. The European unions regard it as defeatist, the employers speak of creating intolerable working costs, the experts fear an "illusory approach." Equally, the idea of a workers' sabbatical year at government expense has aroused either indignation or laughter.

The danger is that unemployment may become so intensive that it moves into the centre of the financial debate. Omnibus growth, once regarded as the panacea, is now feared as worsening inflation. Industrial investment may come to be regarded as carrying a high degree of risk and unpredictability. The tendency is for planned programmes, with at least predictable courses to be perferred to private investment with less clear consequences. The future would lie with increasingly sophisticated industries which would leave more unavoidably repetitive jobs—at constant risk of their being handled by some brain-machine—to a class of relatively mindless workers if such could be attracted from the ranks of unemployed.

Experience over the past few difficult years has shown that governments have far more success in restoring industrial production than in reducing unemployment and that industrial growth is no sure cause of employment growth.

Water—vital resource for life

Water is vital not only for growing food but also for cooking, drinking, washing, power, industry, transport and leisure. But with all these benefits, water also brings dangers. Irrigation, for example, carries with it the danger of spreading water-borne diseases to new areas. "The key to the water problem" says UNEP expert Dominique Larre "is to maximise and spread the advantages of water whilst minimising and containing the disadvantages. And this adds up to sound environmental management of this vital resource."

No less than 70 per cent of the world's population today is without safe dependable water and the consequences are staggering Water-borne diseases kill more than 25,000 people every day. Bilharzia afflicts some 200 million people in 71 nations. Filariasis, the world's biggest cause of blindness, affects 250 million. Malaria still strikes at 100 million people a year and kills one million of them. Typhoid, cholera, dysentry and hepatitis continue to take a heavy toll of human life and health. All of these diseases are helped on their disastrous way by unsafe and contaminated water.

A recent survey of eight developing countries has shown that 90 per cent of all child deaths could be avoided by safe water supplies and hygienic sanitation and sewage disposal. In Sri Lanka, it is reported that 30 per cent of all the in-patients and 40 per cent of the out-patients are being treated for water-borne diseases.

The problem is confined almost exclusively to the developing world. Six hundred million people in South-East Asia lack easy access to safe water. In Africa the figure is 140 million; in Latin America and the Caribbean 90 million; in the Eastern Mediterranean countries 140 million and in the Western Pacific 60 million. And it is the rural areas that are hardest hit. The World Health Organisation reports that 90 per cent of the people in the rural areas of the Third World are using unsafe water all the time and that the sewage and household wastes of 1000 million rural people remain in or near their homes and spread disease by contaminating food, soil and water. "The most urgent environmental need in the developing world" says a recent UNEP report "is better sanitation. Through lack of it, four-fifths of the world's population is constantly exposed to a range of diseases encouraged by dirty water and filth."

Better water management is not only the key to dramatic improvements in human health. It is also vital for irrigating land and growing food; for cooking and washing; for power and industry; for transport and leisure.

All of these uses of water bring great risks as well as great benefits. Irrigation, for example, can dramatically increase food production but it can also spread water-borne diseases to new areas.

The big dams of Africa provide another example of the importance of water management The Volta dam in Ghana, the Kariba dam on the Zambesi, the Kainji in Nigeria, the Aswan in Egypt, the planned Kossou dam in the Ivory Coast and the Senegal river basin complex—all offer important advantages in terms of much-needed power for industry, flood control systems, public water supplies, transport, fishery industries, wild-life conservation and leisure activities. But they also bring environmental dangers. The four largest dams in Africa have meant re-settling one and a half million people in twenty years—with all the disruption of the human environment that this means. The sheer accumulation of such volumes of water puts unknown stresses on the land structure and may increase the danger of earthquakes. The flow of the Nile used to carry away 125 million tons of silt a year until the Aswan high dam was built and now that silt is accumulating behind the dam itself.

All this, in UNEP's view, argues the case for more knowledge and more integrated and efficient management of water—the irrigation expert knowing about health problems, the dam engineer knowing about the complex ecosystems of river and lake life.

key to the problem

"The key to the water problem" says UNEP expert Dominique Larre "is to use water more widely and more wisely at the same time. We have to exploit water for the sake of development whilst preserving it for the sake of the environment. We have to maximise and spread the advantages of water use whilst minimising and containing the disadvantages. And this adds up to a question of sound environmental management and more knowledge of and respect for this vital resource."

The first ever United National World Water Conference will meet next March in Buenos Aires to study these issues and make recommendations to governments.

The first item on its agenda is a review of the overall world water situation. The starting point is that of all the water in the world only one per cent is available for human use. The rest is locked up in the ice-caps, in the oceans, and under the ground. That one per cent of 'available' water is the amount which flows round the 'hydrological cycle'. The sun powers a vast natural distillery—water evaporates from the oceans, rains on the continents, flows through rivers and streams, and emerges again into the sea to complete the cycle.

hydrological cycle

Every year 38,000 cubic kilometres of water flows round that cycle. That is the maximum amount of water that is presently available for man. And it should be enough. Even with a doubled world population, the hydrological cycle would provide 4,500 cubic metres of water per year per head—more than three times as much as each person in the developed world now uses.

"Therefore it is evident" says the Swedish environment magazine AMBIO "that on a global scale there is enough water to meet the foreseeable needs".

But nature does not distribute water 'per head'. In the Congo Basin the average yearly rainfall is 150 cm to 175 cm and it can be as high as 500 cm. And in some parts of Latin America it hasn't rained a drop for twenty years. Africa as a whole only receives 12 per cent of the water distributed by the hydrological cycle whereas the United States receives over 33 per cent.

"There is enough water," agrees Dominique Larre "but it is rarely in the right place at the right time in the right quantity and quality. Therefore the essence of the problem once again is sound water management."

Intervening in the 'hydrological cycle' in order to divert water and redistribute it more equally is an essential task. To meet the two most basic needs—food and clean water—at least 50 per cent more agricultural land must be irrigated and treated water must be made available to the 70 per cent of the world's people who now lack it. That is the dimension of the task. And it has to be tackled with the fullest possible knowledge of the powerful but delicate environmental forces we are dealing within order to maximise the benefits and minimise the dangers.

As the same time present day use of water must be made less wasteful and less polluting in order to conserve the quality of the water flowing round the hydrological cycle. Overburdening water supplies with pollutants can break down nature's capacity to regenerate and cleanse itself.

Industry presently uses 200 cubic kilometres of water per year of which 40 cubic kilometres evaporate and the remaining 160 cubic kilometres are contaminated in some degree. The contaminated waste-water of industry pollutes, on average, 25 times its own volume. At the moment, for example 40 litres of water are used to produce one can of vegetables, 10 litres of water to produce one litre of petroleum : 250 cubic metres of water to produce one ton of steel; 3½ cubic metres of water to make one ton of cement. Artificial fibres and plastics require much higher concentrations of water and the thirst of modern industry is increasing. Industrial use of water in Japan, for example, leapt from 25 billion tons in 1965 to 45 billion tons in 1970. All this water is not 'consumed'. But it is 'wasted' in quality.

pollution of rivers

According to Thor Hyerdal—"French rivers alone annually carry over 18 billion cubic metres of liquid pollutants into the sea and the city of Paris discharges over 1.2 million cubic metres of untreated effluence into the Seine every day. The volume of liquid wastes dumped every day in West Germany exceeded 59 million cubic metres. Into the already dead Rhine, over 50,000 tons of waste are discharged daily including over 30,000 tons is sodium chloride from industrial plants".

Industrial pollution of water on this scale cannot continue. "Discharge of wastes into lakes and rivers" says the World Meteorological Organisation "is ruining fresh water supplies."

In the home, also, water can be wasted and contaminated. Forty per cent of all water in the urban areas of the developed world is used for flushing toilets each flush uses approximately 22 litres of expensively purified drinking water to carry away a few ounces of body wastes. In a year, the average use of a flush toilet contaminates almost 60,000 litres of clean water to dispose of 600 gallons of body wastes. "To a visitor from another planet" says Harold H. Leich, "it would seem incredible that human beings should solve their problems of personal hygiene by putting their body-waste into public drinking water and then spend billions in a futile effort to restore the water to its original condition."

"Careless waste and inefficient use of water" says UNEP's Letitia Obeng, "are almost a crime against those who do not have water. Conserving water for its quality as well as its quantity, practising multiple re-use to encourage efficiency and prevent waste, managing water resources in order to minimise adverse impacts—these are some of the precautions that would guarantee the continued availability of water in the desired quantity and quality for development. For this, a healthy respect for water must he developed on a global basis."

Courtesy : United Nations Environment Programme

Education in Japan

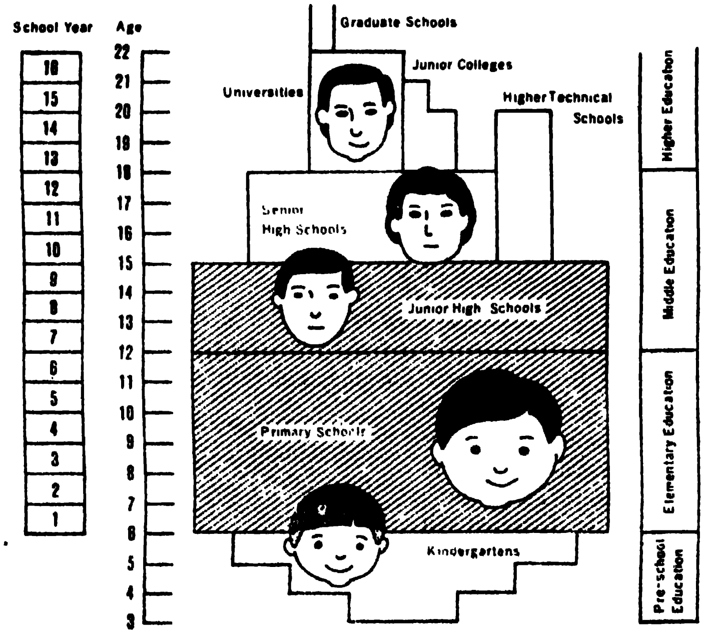
A high rate of literacy in Japan has facilitated the training of workers as well as the supply of the requisite number of engineers, scientists and technologists to industry. The standard of education has been on par with that of the universities in the USA and Europe. It has led to a high demand for books and magazines. In 1975, the total number of books published was 22,700 with the number of copies at 733 million—almost seven per head, the population of Japan being about 110 million.

MEN 0.2 PER CENT, women 0.3 per cent. These small percentages are of Japanese population between 15 and 64 years of age that did not go to school. To put it the other way round, these small figures show the very high diffusion rate of education in Japan compared to the international level.

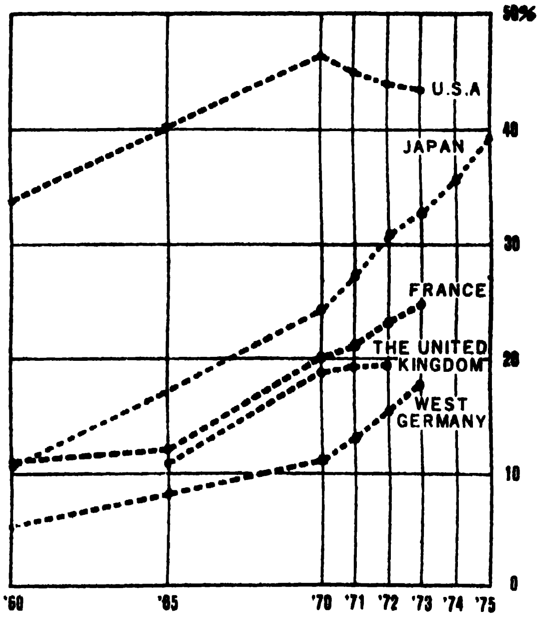
Education in Japan begins with small children three to five years old. About 60 per cent of the children in this age group go to kindergartens. At six, they go on to the six-year elementary school. From this time on, they are taught in basic subjects such as reading, writing, mathematics, social studies, science and music.

Then in the three-year middle (junior high) school, a foreign language is added to their curriculum, and education of a higher level is given. The nine years up to here constitute compulsory education. Of the middle school graduates, 90 per cent hurdle the entrance examinations and advance to high schools of which there are about 5,000 in Japan. Four hundred and twenty universities and colleges await the high school graduates every year. In order to enter universities of high repute, high school graduates have to study really hard to pass the examinations in a fierce competition.

The high educational standard in Japan has brought about a flourishing print culture. In terms of publications, books published in Japan in 1975 totalled about 22,700 titles, with their combined number



School System in Japan



Ratio of Students Advancing to Universities and Junior Colleges
-- International Comparison

of copies reaching 733 million. The total circulation of magazines reached 2,350 million. These figures show that Japan is the biggest publishing kingdom in the world next only to the United States and the Soviet Union. A great variety of publications, including foreign literature and best-selling novels, are translated into Japanese in a short period and published. This makes it possible for the Japanese. who are traditionally keen on imported culture, to get acquainted with the literature of other countries in their own language.

Behind the Japanese people's love of reading is the surprisingly low rate of illiteracy among the Japanese.

In Japan, it is said, there is a bookstore for every 10,000 people. The ratio is bigger in cities. During the lunch hour, bookstores in busines centres are packed with office employees who are eagerly hunting for reading materials. Even while being jostled in jam-packed cumputer trains during the morning and evening peak-hours, many people are absorbed in reading. This could probably be one of the factors responsible for the large number of Japanese who wear spectacles.

Though the education of the Japanese begins at three to five and ends formally upon graduation from university at the age of 22, yet indications are that this is being extended.

Many Japanese business corporations are intensifying the training of their employees in order to meet the needs of the times, such as technological innovation and securing of needed talents.

Fresh recruits are grouped, for a period, to live together under one roof and given a crash course to learn about their company. In some cases, they are given spiritual training through Zen meditation sessions which are included in their regular training programme. Refresher courses are given at all levels—section chiefs, departmental managers and directors. Today, Japanese business corporations spend both time and money in in-house training, both on and off the job, in order to develop the knowledge and expertise they need.

Courtsey : Tokyo Newsletter of Mitsubishi Corporation

See-saw success in South Korean shipbuilding

Nirmal Nibedon

South Korea has made creditable progress in industry since the beginning of the current decade. And now it has entered shipbuilding with a bang. The author is of the view that South Korea is not likely to make significant headway in this industry unless it develops its own designing and engineering capabilities.

THE RECENT discovery of oil is expected to speed up the vigorous export industry South Koreans have built up within the last decade. They have a drive of their own in racing ahead to secure a berth in foreign markets.

Until recently it was the Japanese coughing and Koreans catching a cold. Now the picture has changed. Coughs of disapproval and doubts that the Japanese have been giving expression to with regard to South Korea's latest craze for building big ships for export did not give Seoul the cold. Instead, the South Koreans launched two 260,000-ton super tankers and eight 230,000-ton tankers which foreign clients had ordered them to build. All this was achieved within a period of about three years. It was no accident. Back in 1971, the South Korean government decided that emphasis would be put on the establishment of a sound basis in four major industrial areas: heavy industry, chemicals, the machine tool industry, and electronics. And within the heavy industries, which included expansion of the Pohang iron and steel plant and creation of a second integrated plant, shipbuilding assumed a position of priority as a separate industry.

There were half a dozen shipbuilding firms in South Korea which were capable of expanding to meet the demands for the new venture. But it fell to an entirely new company, the Hyundai Shipbuilding and Heavy Industry Company, to take the first leap forward. Hyundai, which is a conglomerate of overseas construction firms and automobile plants, had no previous experience in building ships, and no existing facilities. But it was able to build from the ground up with the latest technology and modern equipment available — factors which the established firms found difficult to adapt into their existing facilities.

With mathematical precision it started turning out very large crude carriers (VLCC). Among the shipowners who placed orders for the construction of VLCC's with Hyundai were the Livanos Group of Greece, Pan Asia Tanker Service, Japan Line, Kawasaki Kisen of Japan, and World-wide Island Navigation of Hong Kong.

Hyundai and other Korean shipping companies also turned out such sophisticated vessels as chemical carriers and "roll-on-roll-off" (Ro-ro) container vessels. This was indeed a blessing in disguise.

The 1973 oil crisis was not what Seoul had bargained for. Major ocean-going countries operating VLCC's such as the Netherlands and Norway were badly mauled by the global business recession resulting from the oil shock. Demand for oil tankers hit the lowest ebb.

Keeping options open, South Korean shipbuilders lost no time in sliding back from VLCC's to small or medium-sized vessels as a positive step to overcome hard times.

Hyundai entered into a $110 million contract with Stena Line A.B. of Sweden on October 29 last for the construction of 11 "ro-ro" container vessels, while another shipbuilder, the Donghae Company, concluded contracts with Sanny Maritime S.A. and Chemicarry Panama S.A. for the construction of 1,500-gross-ton LPG (liquified petroleum gas) carrier plus a 500-gross-ton chemical tanker worth $3,260,000.

Thus while recession reigned supreme, the South Korean shipbuilders had their second taste of success. It was the first time that Seoul ever received orders for such specific vessels.

"Ro-ro" carriers require a high-standard of technology in which vehicles and trailers can roll on or roll off the ship under their own power.

As the calendar took the flip for 1976, Hyundai again concluded a $52 million contract with Fednay Limited of Canada for the construction of four bulk carriers (36,200 dwt class) to bring the total number of vessels placed under order so far to 22, worth $200 million. Besides, six VLCC's of earlier contracts are being turned over to foreign shipowners this year.

adroit move

The government moved adroitly to merge small shipyards into larger ones as part of the long-term shipbuilding industry development plan. Conglomeration had its own advantages. Annual production capacity reached 750,000 gross tons and the largest ships South Koreans can handle at the moment are 500,000-gross-ton giants.

However, launching of 29 modern pelgagic fishing vessels in 1969 for export to Taiwan, a multi-purpose cargo ship of 180,000 dwt completed in 1972, and an oil transport ship of 20,000 dwt in 1974, went unnoticed.

The current unclear long-term outlook for West Asian petroleum production and crude oil transport makes it impossible to forecast new tanker demands with any hope of accuracy. Nevertheless, the market prospect for smaller ships is not entirely bleak as the signing of recent contracts has shown. Furthermore, Korean shipbuilders continue to receive string of enquiries from prospective buyers of many climes, including India.

A plus factor is the strong emphasis Seoul has placed on increasing the size of its merchant fleet. The goal is to have at least 60 per cent of all cargo entering and leaving the country carried in South Korean bottoms by 1981. In September 1974, Seoul announced its full support for this programme and estimated 1981 needs at more than six million gross tons.

The Korean merchant fleet presently comprises some two million gross tons. The projected four million ton increase will be covered by imported units as well as domestic production with the latter receiving government subsidy through preferential long-term, low-interest loans to select shipping companies

target revised

Seoul has wasted little time in modifying its long-term shipbuilding ledgers after the oil shock. The modification plan calls for scaling down the original target of shipbuilding capacity in 1981 from 6.30 million tons to 4.25 million tons. The expected demand for ships in the target year was also dropped from 4,606,000 tons to 2,466,000 tons. The opening of the Suez Canal and the decreasing demand for crude oil in major industrial countries is having its effects in that part of the world as well.

But, external factors must not always be blamed. South Koreans admit that demand for ship plate exceeds current domestic production capacity. Seoul's single integrated iron and steel plant can produce only 60 per cent of the steel plates used in VLCC production. For a cargo ship of 1,000-ton class built in 1972, the proportion of locally-supplied materials was as high as 73 per cent. But for a bulk carrier of 10,000 tons built in the same year, proportion slipped to only 25 per cent.

Seoul says its steel production target from the current three million tonnes annually would be pushed up to some 12 million tonnes by 1981. But, granting the growth to come round in time, it would even then not cover the nation's crude steel requirements for the shipbuilding industry.

Banking heavily upon VLCC's Seoul has received serious jolts after the oil crisis as the potential orders for VLCC's remained only in the air. Another constraint is the demand for ships from developing countries on deferred payment basis which Seoul can hardly meet at this juncture.

a weak spot

Technology is a weak spot. The present industry is essentially one of fabricating ships of imported components according to foreign designs under the guidance, largely, of foreign experts. Technological innovation was perhaps just as responsible, if not more so, than lower wages for the advance of Japanese shipbuilding in the 1955-70 period.

South Korean hopes to emulate and surpass the Japanese success are slim and may not materialize unless a qualified and innovative design and engineering capacity is developed soon. Whetting the appetite is just the beginning of growth.

In deciding to become a major shipbuilding nation, South Koreans often cite the case of their skilled and comparatively cheaper labour force. But simple manpower pool is not enough in an international race, and what if the Japanese start coughing? The sooner planners in Seoul start plugging the holes the lesser will then be the chances of their contracting a cold.

GOVT. TO TAKE OVER ASPIRIN UNIT

Who is taking over whose headache ?

TRADE WINDS

Vanaspati Prices Stabilised

THE PRICES and availability of vanaspati were reviewed and detailed discussions on the subject were held at a recent meeting of the representatives of the vanaspati industry with Mr A. C. George, minister of state for Civil Supplies and Cooperation. Senior officers of the ministry of Commerce, the Department of Food, the State Trading Corporation, the Forward Markets Commission and the government-managed vanaspati factories also participated in the discussions. Several important decisions were taken to bring about discipline in the context of the present rising trend in the vanaspati prices due to increasing demand for the forthcoming festivals.

Voluntary Restraint

It was agreed at the meeting that the vanaspati industry will observe a voluntary price restraint. To begin with, vanaspati factories would be expected to charge a price not exceeding Rs 118 per tin of 16.5 kg to wholesalers at various points till the middle of October 1976. The purpose is to ensure that after adding excise duty, local taxes and distributors' marign, the retail price of vanaspati is kept around Rs 130 per tin of 16.5 kg. On its part, the government will supply through the State Trading Corporation an extra quantity of imported oil to the extent of 20 per cent of their production to those vanaspati factories which agree to observe the price discipline. This extra 20 per cent will be available over and above the existing statutory level of 50 per cent. It was disclosed that the STC already has about 40,000 tonnes of edible oil in stock and another 86,000 tonnes of imported edible oil is on the way to India. The STC would, therefore, be in a comfortable position to meet the extra requirements.

It was also decided that the government-managed factories and cooperative units would be given a special allocation of imported edible oils and the resultant production of vanaspati would be taken over for distribution through consumer cooperatives and other specified retail outlets. In view of the measures enumerated above, the government expects that the prices of vanaspati would be stabilised at a reasonable level.

Bilingual Teleprinter

A new bilingual teleprinter machine manufactured by the Hindustan Teleprinters Limited, Madras was demonstrated recently in the presence of Dr S. D. Sharma, minister of Communications. Mr Jagannath Pahadia, deputy minister, Mr R. P. Nayak, secretary, Department of Languages and Mr S.M. Agarwal, secretary, Communications, were also present. Mr. G. U. Menon, chairman and managing director, Hindustan Teleprinters Ltd (HTL), explained the several features of the new machine which has been designed and manufactured by the engineers and staff of HTL.

The new machine is capable of printing English and Devnagari scripts. The machine works on the standard five unit code and works on three shifts as against two shifts used in standard teleprinter. One shift is allotted to english characters while the other two are allotted to Devnagari characters and numerals. Change over from one language to the other can be done easily by pressing the appropriate shift key. The codes allotted to the english characters are fully compatible with the international code so that these machines can also work in the english mode with any other standard english teleprinter machine in the world.

Suggestions on Import Policy

In view of the importance of the timely flow of information which leads to decision-making regarding import bans or restrictions for the purpose of export generation and import substitution, the ministry of Industry has decided that entrepreneurs both in the organised and small-scale sectors of industry should submit the necessary information in triplicate by November 1, 1976, to the Import-Export Policy Unit of the PPC Division in the Directorate General of Technical Development, Udyog Bhawan, New Delhi. Any information or request received after the stipulated date would not be considered while formulating the import policy for 1977-78.

The Import Trade Control Policy was liberalised last year and the emphasis had been placed on export generation and import substitution. Several industrial items manufactured in India to the required specifications and quality standards are restricted or deleted from the list of imports, while formulating the annual import policy. This is done after taking into account several considerations relevant to the issue.

Information Flow

It has been found that that information flow from the organised sector is quickly and more readily available for verification of claims about import bans and restrictions. Such information from the small-scale sector is, however, not easily available, probably due to the handicaps which are natural in the decentralised operations in this sector. The information required for formulating the import policy for 1977-78 should be provided to the DGTD under the following heads : (1) Name and address of the applicant company, (2) Location of factory, (3) Whether a DGTD or SSI unit, (4) Description of the item for which change in import policy is suggested and its classification under the ITC schedule, (5) Rated capacity of the plant, (6) Date of commencement of production and production thereafter yearwise, (7) Estimated production during 1977 and 1978, (8) End products/uses for which the item mentioned above is used, (9) Complaints, if any, received regarding quality of the product and, if so, steps taken to improve the same, (10) Is the item produced by only a single source of supply or other firms are also manufacturing the same item and, if so, their names and addresses to the extent known, (11) Import and countervailing duties, (12) Landed cost (in Rs) per units of imported product, (13) Selling price of applicant's product, (14) Suggestions in brief regarding changes in import policies, (15) Any other comments, if any, that applicant may have such as assessment on demand delivery schedules, imports taking place, etc.

Direct Taxes Increase

The collection of direct taxes upto the end of July, 1976 has shown an impressive increase of Rs 117.09 crores as compared to the corresponding period of last year. During the current financial year, collection of direct taxes upto the end of July, 1976 aggregated Rs 381.30 crores as against the collection of Rs 264.21 crores during the corresponding period of last year. Of the increase of Rs 117.09 crores, the collection of income-tax and corporation-tax accounted for an increase of Rs 107.32 crores. The various measures taken by the gorvernment to improve the collection of direct taxes have been primarily responsible for the increase in the collection of this size.

Leather Corporation

Mr S.L. Atar, officer on special duty in the ministry of Industry, has taken over as the chairman-cum-managing director of the Bharat Leather Corporation Ltd (BLC). This corporation would serve as the apex leather body of the government of India. The BLC has been formed with an authorised capital of Rs 50 million to promote, develop, aid, advise and assist the leather units with technical and managerial support. The BLC will also procure and supply machines and equipment, dyes and chemicals and other auxiliaries for the production of quality leathers for export. The most important task before the BLC is to upgrade the tanning and finishing in the leather units.

Packaged Commodities

The Packaged Commodities (Regulation) Order, 1975, has been amended by the Packaged Commodities (Regulation) Amendment Order, 1976, published in the gazette on August 2, 1976. The main features of the amendments are: (i) Under the Packaged Commodities (Regulation) Order, 1975, packages of commodities intended to be used in the industry are not required to be disciplined under the order.

The amendment now issued provides an explanation by which the expression "Industry" does not include any workshop, service station or any other place where servicing or repairing of any motor vehicle within the meaning of Motor Vehicle Act, 1939, is undertaken. As a result of this explanation, packages containing auto spare-parts are now required to carry the mandatory markings in respect of the name of the commodity, the name and address of the manufacturer/packer, the date of manufacture/packing, the net contents and the price.

With a view to avoiding difficulty to the trade, the amendment would be enforced after a period of one month from the date of its publication in the official gazette. (ii) In view of the existing disparity in the rates of local taxes from state to state, the Packaged Commodities (Regulation) Order, 1975, permits the manufacturer or packer to indicate on a package the price exclusive of local taxes. In such a case, the price is qualified by the expression "local taxes extra or "taxes extra". However, in accordance with the provisions of the Order the retailer in such a case is under obligation to indicate on such packages, the retail sale price (i.e. the price inclusive of taxes) thereof. With a view to eliminating overcharging on the pretext of local taxes, a retailer, in accordance with the provisions of the amendment order, is under obligation to display prominently at conspicuous place in his business premises a list indicating the rates at which local taxes (including central taxes, if not included in the price indicated on the package) are leviable on the commodity contained in the packages sold by him.

Eighth National Book Fair

In pursuance of its objective of fostering book-mindedness in the country the National Book Trust, is organising the Eighth National Book Fair in Ahmedabad (Sanskar Kendra, Kocharab) from January 7 to 16, 1977. In addition to the stands and stalls allotted to various publishers there will be a National Exhibit of selected books published in the country since January 1975. A section will be devoted to books for children and another to paperbacks.

International Pharmaceutical Meet

An international scientific conference on "Pharmacy education and services in developing countries", with special reference to the needs of the rural areas, will be held in Bombay from January 16 to 20, 1977. Jointly sponsored by the Indian Pharmaceutical Association, a professional, scientific and educational body engaged in promoting pharmacy education and standards in the country and the Commonwealth Pharmacy Association representing professional pharmacists in vario Commonwealth countries, th conference will discuss in depth the problems and opportunities for promoting pharmacy education and improving standards of pharmacy services in developing countries, particularly in the rural areas.

Problems of Bank Credit

The Reserve Bank has appointed a working group to examine the special socio-economic features of the north eastern region, to identify the factors impeding the flow of bank credit and to make appropriate recommendations for accelerating all-round banking development in the region. The group has been asked to submit its report within three months. The group consists of Mr P.S. Santhanakrishnan (General Manager, Planning, State Bank of India), Mr J. N. Pathak (Assistant General Manager, United Commercial Bank), Mr T.R. Shah (Assistant General Manager, United Bank of India), Mr A. Sathyamoorthy (Director, ARDC) and Miss Nalini K. Ambegaokar (Director, Research Section, RBI, Calcutta) who is the convener. Besides, one representative from each of the five state and two union territories i the region will be coopted in the group for dealing with the problems of the respective state/union territory.

The appointment of the working group is a sequel to the decision taken at the meeting of the Regiona Consulative Committee for th north-eastern region held at Guahati on July 5, 1976.

PATA Conference

The ministry of Tourism and Civil Aviation has decided to expand and upgrade a number of hotels in the capital to meet the rush of the Pacific Area Travel Association (PATA) delegates in the new year. It has created a cell in the department of tourism to look after the arrangements for the PATA conference to be held in Delhi from January 23 to 27, 1977. The dates for the conference have been chosen with a view to giving an opportunity to the delegates to witness the Republic Day parade and folk dances. The opening function of the conference is expected to be held in the Diwan-e-Aam of Red Fort. About 2,000 delegates from travel industry are expected to participate in the conference.

Overseas Demand for Indian Meat

Foreign exchange earnings from meat and meat preparations from this country has been nearly doubled to fetch Rs 10.3 crores in 1975-76 from Rs 5.25 crores in 1974-75. The meat supplies have been particularly sought after by the oil rich west Asian countries. India's sheep and goat meat products proved highly popular in Dubai, Abu Dhabi, Bahrein Islands and Muscat. Along with other middle east markets, these importers bought, a quantum of over 1.24 million kg in 1975-76 to fetch Rs 1.58 crores. In 1974-75, the exports were only 0.98 million kg at Rs 1.05 crores. Dubai, which was the most important buyer of this variety of meat, imported 746,128 kg at Rs 91.5 lakhs in 1975-76, as compared to 384,675 kg at Rs 41.8 lakhs in the preceding year.

Frozen frog meat is another delicacy from India. It picked up large world demand during 1975-76 — 2.23 million kg at Rs 5.44 crores in contrast to 0.90 million kg at Rs 1.52 crores the year before. This variety of meat was mainly imported by western markets, viz, France, the USA, the Netherlands and Belgium. France, however, was the top buyer at Rs 3.02 crores (1.07 million kg) during 1975-76. In the previous year, USA was the principal customer at Rs 1.19 crores (0.66 million kg).

Guidelines on Industrial Location

The government has accepted the recommendation of the Fuel Policy Committee that planning for detailed industrial location should be consistent with the plans for production and movement of coal. Almost all recommendations of the committee, which had submitted its report in August, 1974, have been accepted. The report comprised about 120 recommendations and conclusions which the ministry of Energy had discussed with the various ministries.

The government is likely to issue soon a guideline on the location of industries in consonance with the plans for coal production and coal movement. The government has also agreed to the opening up of export-based coal mines near the ports of Haldia and Paradeep, if a steady stream of export orders is maintained. The decisions virtually form the basis of action for a comprehensive energy policy of the country. The main component of the government's policy is that coal shall be a primary source of energy. The government, however, feels that the relative roles of coal and oil would depend on the developments in the oil sector at Bombay High and other places.

The government has noted "as a guideline for the regional developmental plans" the Fuel Policy Committee's suggestion for the formulation of a well conceived policy towards regional development taking note of the divergencies in resources. According to the committee, the region-wise energy policy should be a part of a well conceived regional development strategy. The government has also decided that different institutions and agencies would continue their studies of different aspects of energy but the ministry of Energy would be the nodal point for coordinating and sponsoring all studies in the energy sector. It has been agreed by the government that detailed investigations should be aimed at providing sufficient mineable deposits for the requisite level of production in relation to the demand for coal estimated for 1990-91. According to the committee's estimates, the demand for coal would vary between 339 million tonnes to 364.9 million tonnes by 1990-91 against the 1978-79 demand range of 135 million tonnes to 148.5 million tonnes.

Assistance from Britain

Britain's ministry of Overseas Development has approved the allocation of up to £1.8m of capital aid to India – from the £10m UK/India coal sector grant agreement signed last year—to finance an integrated package of equipment, training and expertise to mechanise coal cutting operations at a mine at Monidih in West Bengal. This British aid would support a £2.66m project calling for a highly mechanisep technique to obtain a much greater output of coal from the present work-force in an existing mine. The grant will meet the cost of equipment and services to be provided by Dowty Mining Equipment Ltd, of Ashchurch (Gloucestershire). The British firm will be responsible for procuring the equipment and providing technical staff over a nine-month period and training Indian staff—managers and engineers—in Britain and operators on site.

Customer Service in Banks

The National Industrial Committee on Banking Industry at its meeting recently discussed the Interim Report on 'Customer Service in Banks' submitted by the Working Group on Customer Service in Banks' to the government. Out of 97 recommendations, made, as many as 80 recommendations have either been implemented or under various processes of implementation. The committee discussed the remaining items in greater details and most them were approved without any modifications. About payment by teller system it was agreed that tellers will pay upto Rs 2,000 in respect of both the current as well as the savings bank accounts. The State Bank will continue to receive the amount upto Rs 1,000 as at present and pay upto Rs 2,000 like other banks, both in the savings and the current accounts under the teller system. The meeting was presided over by Mr V.M. Bhide of Indian Banks Association. Mr K.V. Raghunatha Reddy. minister for Labour and Mr Balgovind Verma, deputy minister for Labour were also present. It was also agreed that to meet urgent cases of requirements of customers, facility for encashing personal cheque for reasonable amount presented by the drawer himself should be made available even after normal business hours. But this will not be normal practice.

Consumption Credit for Poor

Public sector banks and regional rural banks are to provide credit for meeting the consumption needs of the lower strata of the rural population, pending a decision by the government on the Sivaraman Committee's report. Laying a gist of the committee's recommendations on the table of the Lok Sabha recently, Mr Pranab Mukherjee, minister for Revenue and Banking, stated that most public sector banks had already formulated schemes for the purpose. The regional rural banks had also been permitted to give consumption credit to meet the educational and medical needs of the poor. The next higher class of rural population—those having holdings from half an acre to five acres—would also need consumption credit. But they would be able to meet their needs from the general production credit availed of by them from the cooperatives and the commercial banks, including the regional rural banks.

Rural Financial Institutions

The government has formulated a scheme for ensuring coordination of activities amongst various rural financial institutions such as (i) rural banks; (ii) farmers' service societies; and (iii) primary agricultural cooperative credit societies. The minister of state for Planning, Mr Sankar Ghose, while giving this information in Rajya Sabha stated that in areas where more than one credit agency finances agricultural and other economic activities, coordination committees have been set up at the national, state and district levels to consider the problems of coordination which may arise from time to time. The district level committee known as District Consultative Committee is constituted with the District Collector as chairman and the representatives of commercial banks, cooperative banks and the concerned department of state government, etc as members. Its functions are mainly to effect coordination of the working of the cooperative and commercial banks in the area by exchanging information and mutual consultation.

The areas of operation of the Farmers Service Society and the Primary Agricultural Credit Society as envisaged in the Farmers Services Societies Scheme are distinct.

LIC Investments in July

Life Insurance Corporation of India (LIC) has invested a sum of Rs 75 crores in the central government securities, during the month of July, 1976. During the same period LIC invested Rs 7.64 crores in the bonds of the State Electricity Boards of Assam, Gujarat, Haryana, Himachal Pradesh, Jammu and Kashmir, Kerala, Meghalaya and Tamil Nadu, and Rs 4.05 crores in the bonds of the State Financial Corporations of Bihar, Gujarat, Jammu and Kashmir, Kerala, Maharashtra and Punjab. The corporation also decided to subscribe to the shares of the Central Warehousing Corporation of the face value of Rs 15 lakhs. LIC's assistance to water supply and drainage schemes amounted to Rs 3.47 crores. The recipients are, 22 municipalities in Maharashtra for their rural piped water-supply schemes (Rs 2.35 crores) and the Karnataka Urban Water Supply and Drainage Board (Rs 1.12. crores). LIC also advanced a loan of Rs 1.62 crores to the Delhi Development Authority for housing and Rs 22.25 lakhs to two sugar cooperatives, viz., Shri Dyaneshwar Sahakari Sakhar Karkhanna Ltd. and Shri Gonda Sahakari Sakhar Karkhana Ltd. Loans to three public limited companies in the private sector amounted to Rs 95 lakhs. Besides, subscriptions to privately-placed debentures of public limited companies were of the order of Rs 75 lakhs.

Coins with Development Designs

Four new coins with development oriented designs and having a common theme, Food & Work For All, will be minted in the denominations of 50 rupees, 10 rupees and 10 and 5 Paise. The theme was suggested by the Food and Agriculture Organisation of the United Nations. Since 1968, FAO has promoted the issuance by a number of countries of special coinage with themes relating to development, food, family planning and other socio-economic topics. India has been participating in these issues since 1970. For 1976, FAO proposed minting of coins with the theme Food & Work For All.

Aerial Surveys for Better Highways

The Central Road Research Institute, Delhi has developed new air photo patterns for identifying the location of materials for road construction. The technique helps to make rapid surveys of road materials and reduce construction costs. With a view to achieving economy in the road development programmes and conserve hard stone to the maximum possible extent, emphasis has to be laid on the judicious utilisation of locally available materials such as *kankar*, gravels and laterite which have adequate machanical strength but are not being used freely as conventional materials. Research was undertaken at the institute to develop new air photo patterns for the identification and location of *kankar* deposits, which are found both in the alluvial plains as well as desert areas.

Names in the News

The Jawaharlal Nehru award for international understanding for 1975 has been awarded to the American physician **Dr Jonas Salk**. This is for the first time that a scientist has been granted this award. Virology had been his prime interest. He had earlier worked and successfully isolated the influenza virus. Now for the last 10 years he has turned his attention to the immunological processes particularly in respect of the fight against cancer.

Mr Rohit C. Mehta, has been appointed chairman of Gujarat Industrial Investment Corporation Limited. Mr Mehta is a prominent industrialist, heading the Rohit group of enterprises engaged in textile, pharmaceutical and engineering industries. Mr Mehta is also chairman of Gujarat Export Corporation, a Gujarat state undertaking. His tenures as President of Gujarat Chamber of Commerce and Industry, and President of Ahmedabad Millowners Association were notable for contribution to the growth of industry and trade in Gujarat.

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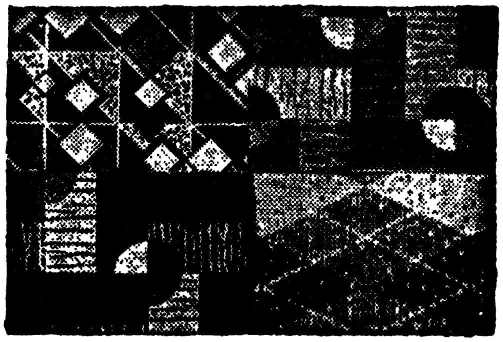

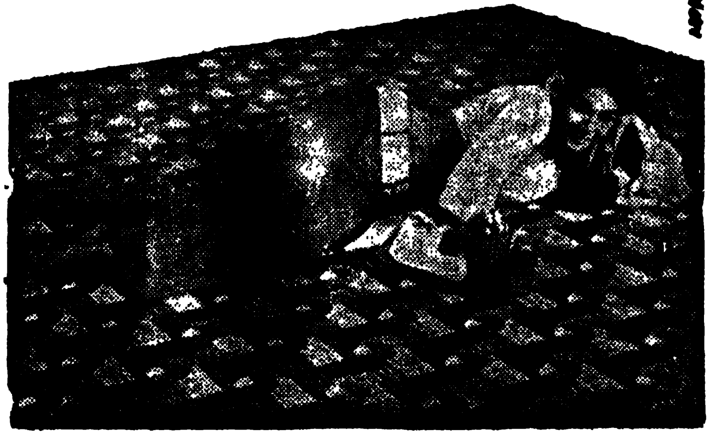

COMPANY AFFAIRS

United Commercial Bank

UNITED COMMERCIAL Bank has reported all-round improvement in its performance during the year ended December 31, 1975. Deposits and other accounts of the bank jumped to Rs 623.17 crores from Rs 542.07 crores at the end of 1974, an increase of as much as Rs 81.10 crores as against Rs 61.42 crores in the preceding year. The total number of deposit accounts in India rose by 320,541 and stood at 21,25,636. The contribution to deposits by metropolitan branches was 37.9 per cent, followed by urban branches with 29.0 per cent, semi-urban branches with 23.6 per cent and rural branches with 9.5 per cent. Advances and bills outstanding as on December 31, 1975 stood higher at Rs 423.27 crores and exceeded the previous year's figure by as much Rs 52.72 crores.

Branch Expansion

During the year under review the bank opened 91 branches within the country and three outside the country, taking the total number of branches in India to 824 and these abroad to nine. Out of the 91 branches opened within the country, 49 were in rural centres, 13 in semi-urban centres, 20 in urban centres and nine in metropolitan centres.

The bank had the privilege of sponsoring one of the first five regional rural banks opened on October 2, 1975. This bank was established for the districts of Jaipur and Nagaur in the state of Rajasthan and was named Jaipur Nagaur Aanchalik Gramin Bank. The bank's contribution to the capital of this bank amounted to Rs 8.75 lakhs.

The gross earnings of the bank in 1975 went up by Rs 9.37 crores to Rs 61.07 crores while expenditure rose by Rs 9.24 crores to Rs 59.02 crores. The net profit of the bank improved by Rs 13.96 lakhs to Rs 205.47 lakhs as against an increase of Rs 11 lakhs in 1974 over 1973.

Remington Rand

Remington Rand of India has reported considerable improvement in its working results during the year ended March 31, 1976. Sales shot up to Rs 7.77 crores from Rs 6.93 crores in 1974-75 while the profit before tax was substantially higher at Rs 95.48 lakhs as compared to Rs 78.37 lakhs in the preceding year. The directors have recommended a dividend of Rs 1.50 per equity share which is payable on the enlarged capital resulting from the allotment of the additional 255,900 equity shares on rights basis in October 1975.

After adding Rs 14,709 brought forward from the previous year and making other adjustments, the amount available for appropriations came to Rs 101.36 lakhs. Out of this, a sum of Rs 55.00 lakhs was provided for taxation, Rs 19.20 lakhs for general reserve, Rs 4.65 lakhs each for payment of cumulative preference shares for the years 1974 and 1976 and Rs 17.82 lakhs for disbursement of dividend on equity shares. The remaining amount of Rs 4,234 has been carried forward to the next year's accounts.

Warner Hindustan

Net sales of Warner Hindustan Ltd recorded a modest rise to Rs 8.77 crores during the year ended November 30, 1975 from Rs 8.34 crores in 1973-74. While sales of pharmaceuticals recorded a handsome growth, sales of chemicals were adversely affected due to the availability of large quantities of imported beta and gamma picolines at lower prices in the market. The net profit earned during the year was however lower at Rs 35.54 lakhs as compared to Rs 44.10 lakhs in 1973-74. The directors have recommended an equity dividend of 23 per cent. It will absorb Rs 29.30 lakhs. The company continued to maintain its progress on the export front. During 1974-75 its exports amounted to Rs 26.17 lakhs. Exports of chiclets, chewing gum and gum base—non-traditional items—have once again recorded a significant growth during the year.

Tata Oil Mills

The Tata Oil Mills Ltd has suffered a severe setback in its operations during the year ended March 31, 1976 which is in sharp contrast to the rapid progress made in the previous two years. The company's total income dropped by 10 per cent to Rs 79.93 crores from Rs 71.93 · crores in 1974-75. The profit before tax and development rebate reserve too declined from Rs 5.27 crores to Rs 2.79 crores and after tax from Rs 1.75 crores to Rs 1.43 crores. The company's export performance during the year, however, was higher by 26.2 per cent at Rs 4.59 crores as compared to Rs 3.64 crores in the preceding year, mainly due to better export of fish. During the year the company has received a industrial licence for the manufacture of 10,000 tonnes of synthetic detergents in the state of Assam and also a letter of intent for the same capacity of detergents in Bihar. The company is examining the best possible means of implementing these projects.

Reorganisation Scheme

During the year under review the operations of Tata-Finlay were satisfactory and for the second year in succession the company earned a modest profit after depreciation. A scheme for the reorganisation of the company's capital structure is now in the process of being put into force. The scheme envisages conversion into equity capital of interest-free loans advanced to the company by Tata Sons Limited and James Finlay and Company Limited and some of its associated companies and thereafter the reduction of the increased capital so as to wipe out the accumulated book losses of the company. The matter is currently before the High Court of Bombay.

There is also a proposal for Tata-Finlay to acquire the Indian business and undertakings of James Finlay and Company Limited and of their seven associated sterling tea companies. Necessary approvals from the government of

India and other authorities are being processed.

Hindustan Everest Tools

For Hindustan Everest Tools Ltd, the year ended March 31, 1976 was one of record performance and commendable achievements. During the year, the company earned a handsome profit of Rs 21.27 lakhs as against Rs 11.58 lakhs in the preceding year. The net profit before providing for taxation but after allowing for depreciation too more than doubled to Rs 16.48 lakhs from Rs 6.61 lakhs in 1974-75. The directors have stepped up the equity dividend from eight to ten per cent. It will absorb Rs 2.49 lakhs.

In spite of world-wide recession for most part of the year, the company has been able to maintain its previous year's turnover of Rs 1.81 crores. The order position of the company, specially in export market, is also equally encouraging.

The sharp improvement in the company's working during 1975-76 was due to the fact that the company has been successful in introducing new items of tools and change the product-mix. The financial and technical collaboration of the company with a leading West German company has also ended and the company has now become hundred per cent Indianised.

The company's diversification programme are being implemented as per schedule. For this, the company has been sanctioned loans of Rs 38 lakhs from ICICI and a nationalised bank, including foreign currency loan of Rs 8 lakhs.

The company has also registered itself with DGTD for manufacture of broaches commercially. The first phase of the project for commercial production is under implementation.

The turnover and profits of the company for the first four months of the current year are encouraging and the management is confident of further improvement in the company's performance in the current year.

New Guideline for Issue of Rights

The government has announced an additional guideline for examination of the issue of fresh share capital by companies.

According to the announcement, companies before making an application to the Controller of Capital Issues for issue of rights shares, shall give in a letter to the existing shareholders detailed information as to how they propose to utilise the additional money and give some broad ideas of the future earnings after the investment of such additional capital.

This information will enable the shareholders to decide well in advance whether they should subscribe or not to the rights issue.

The office of the Controller of Capital Issues will keep this guideline in mind while examining proposals for rights issue by companies in addition to the guidelines already announced on May 14, 1975 for examination of issue of fresh share capital.

News and Notes

Irano-Hind Shipping Co Ltd — a joint venture between the Shipping Corporation of India and the Arya National Shipping Lines of Iran, formed

इमरजेन्सी का वरदान...

वर्ष 75-76 में
टर्नओवर
केवल सेल्स
5000 लाख
रुपयों से आगे..

एक नया कीर्तिमान
एपेक्स
विपणन संघ
सुनहरे कल की ओर
बढ़ रहा है

संघ की प्रक्रिया इकाइयों - ६८ चांवल मिल, ३ दाल मिल १ ऑइल मिल,१राइस ब्रान ऑइल मिल,
२ पशु आहार कारखानें. १ कीटनाशक औषधी सयंत्र में पूर्ण क्षमता से उत्पादन किया जा रहा है।
म.प्र. राज्य सहकारी विपणन संघ मर्यादित भोपाल

in June 1975, has acquired its first fleet of four vessels with a total tonnage of about 40,000 DWT.

Motor Industries Company Ltd continued to improve on its past performance in the field of exports. The exports reached Rs 87.6 million in 1975, a seven-fold increase in four years. About 28 per cent of the book value of the company's production was exported. In stepping up exports, the assistance of Robert Bosch GmbH, has proved to be invaluable. The collaboration with Bosch has enabled the company to acquire product designs and production know-how, besides access to the world-wide sales and service network of Bosch.

As in the past, the company was honoured with several awards given by various organisations for outstanding performance in exports. The awards were from the All-India Automobile and Ancillary Industries Association, the Engineering Export Promotion Council, the union ministry of Commerce, the Karnataka Chambers of Commerce and Industry and the Indo-German Chamber of Commerce.

In the wake of the awards for exports won by the company, came yet another recognition. A MICO apprentice was adjudged "All-India Best" for the third consecutive year. The success of MICO apprentices in the various trade tests has brought the MICO Training Centre the coveted distinction of being declared the "Best Training Establishment" in the southern region.

The Heavy Engineering Corporation, Ranchi, a government of India enterprise, handed over recently the first of the five door extracting and coke guide machines for the coke oven batteries to the Durgapur steel.

Ministry of Defence

Indian Ordnance Factories

The General Managers of the following factories invite separate sealed tenders/applications for supply of the following:

Ammunition Factory, Kirkee, Poona-3

(i) Supply of 1860 litres of Oil Coconut type expressed Grade I B(Raw) Specn. IS-542-1968.

(ii) Supply of 360 Nos of Reversing LT Control switch for 2 to 3 HP Electric Motor 500 V 3 PL 50 cycles in sheet metal housing Scimens India make type K 138 or similar.

(iii) Supply of 1160 litres of Paint ready mixed air drying brushing matt. finish for general purposes signal red ISC-537 of IS-5-1961 Specn. IS 168-1973 (as applicable for defence).

(iv) Supply of 8000 kgs. of Gilding metal strip 0.61 mm ±0 025 mm thick x 68.25 mm ±1.5 mm wide -0 annealed hardness 55 m to 75 VPN. Specn. BS/ST A/19.

(v) Supply of 360 Nos of Fuze Cartg. HRC 200 amps capacity. Electric English make type w 3F 200 amps wedge type fuze carrier or similar.

Opening date of tender 24-9-76 for item (i) 28-9-76 for items 2 & 3. 1-10-76 for item iv and 5-10-76 for item v. Tender form can be had @Rs. 2/- each item upto 10-9-76 for item (i) 11-9-76 for items (ii & iii) and 14-9-76 for items (iv & v) by money order. M.O. receipt should accompany the application for tender form. Postal orders not acceptable.

Ordnance Equipment Factory, Kanpur

Tender No. PV/378/RP. (1) Fabric Cotton O.G.W.P. for capes W.P. 76 cms—Metre. 5700 (ii) Same as above but scoured—Metres 11700 Specn. No. IS: 2422-1963 except that dye fastness to light where determined by exposing to a source of light such as high intensity carbon arc shall be at least class V of the classification adopted by the society of Dyers and clourist Bradford Yorkshire the securing less for scoured fabric shall not more than 4% etc. Closing date 23-9-76. Tender forms available @ Rs. 5/- by postal orders.

Gun & Shell Factory, Cossipore, Calcutta-2

H.S. Steel to specn. IS-T70,W18, Cr. 4 and VI. Round 3990 kgs. of 5 sizes. Square 3223 kgs. of 4 sizes and Flat 826 kgs. of 2 sizes.

Closing date 21-9-76. Tender form available @ Rs. 10/-.

Rifle Factory, Ishapore

Screw (BI/1005-002983) Particulars Governing Manufacture DS Cat. No. 1005-002983 (Metric) DC(I) 11761-SA (As per Drawing to be provided). Nos. 29,255.

Closing date 20-10-76. Tender forms available @Rs 5/- upto 28-9-76 by crossed postal orders.

Ordnance Factory, Katni

(i) Tender No. 1563/LP/Advt./213. Tape Strapping Rayon size 12.70 MM Tensile Strength 200 KG/MM^2 and elongation 10 per cent. 90,000 Metre.

(ii) Tender No. 1563/PV/LP/Advt. 214. Crucible super sala Mandar (English make) or Mars Global (German make) CAP. 500 kg. Pattern No. TP-12. 8 Nos.

Closing date 28-9-76. Tender forms available @ Rs. 5/- each item by cash or through postal orders upto 16-9-76.

Ordnance Factory, Khamaria, Jabalpur

(1) Tender No. 6671/31/SST No. 452. (i) Taper Cup Wheel (Series 30 of Triefus, Kilburns) Dia = 90 MM, Thick = 38 MM, Bore = 1.25" F = 68 MM, C = 56 MM, W = 6 MM, P = 9 MM, B = 10 MM, Resin Bonded Grit size = 150, Conc = 75, Depth of Impregnation = 3 MM. 12 Nos. (ii) Taper Cup Wheel (Series 3C of Triefus, Kilburns) Dia = 90 MM, Thick = 38 MM, Bore = 1.25", F = 68 MM, C = 56 MM, W = 6 MM, P = 9 MM, B = 10 MM, Resin Bonded, Grit size = 200, Concentration = 75, Depth of Impregnation = 3 MM. 12 Nos. (iii) Taper Cup Wheel (Series 3 B, of Triefus, Kilburns) Dia = 90 MM, Thick = 38 MM, Bore = 1.25", F = 75 MM, C = 63 MM, B = 10MM, W = 9 MM, Resin Bonded Grit size = 150, Concentration = 75, Depth of Impregnation = 3 MM. 12 Nos.

(2) Tender No. 6671/32/CST No. 453. Steel Tool Carbon T/C 16 MM dia to Specn: IS-3749-1966-T-103. 2700 Kgs.

(3) Tender No. 6671/33/CST No. 455. (i) Transit box with handle as per Drawing No. MH 2222 & 2223. 200 Nos. (ii) Transit Box with handle as per drawinig No. MH-2222 & 2224. 200 Nos.

(4) Tender No. 6671/30/CST No. 451. (i) Dish Shape Wheel (Dish wheel series 4A of Triefus, Kilburns) DIA 150 MM, thick 20 MM, Bore 1.25" F 78 MM, C 75 MM, W 6 MM, B 10 MM, Resin Bonded, Grit size 150 concentration, 75, Depth of Impregnation 3 MM. 12 Nos. (ii) Dish Shape wheel (Dish Wheel Series 4A, Triefus, Kilburns) Dia 100 MM, Thick 20 MM, Bore 1.25", F 50MM, C 50 MM, W 6 MM, B 10 MM, Resin bonded, Grit size 150 MM, Concentration 75, Depth of impregnation 3 MM. 12 Nos. (iii) Dish Shape Wheel (Dish Wheel, series 4A, Triefus, Kilburns) Dia 100 MM, Thick 20 MM, Bore 1 25", F 50 MM, W 6 MM, B 10 MM, Resin Bonded Grit size 200 MM, Concentration 75 depth of impregnation 3 MM. 12 Nos.

(5) Tender No. 6671/29/CST No. 450. (i) Periphery Grinding Wheel Straight (Peripheral Series 6 A of Triefus, Kilburns) Dia = 150 MM, Thickness = 12 MM, Bore = 1 25" Resin Bonded, Grit size = 150, Concentration = 75, Depth of Impregnation = 3 MM. 12 Nos. (ii) Same as above but Grit size 200 = 12 Nos.

(6) Tender No. 6671/34/CST No. 449. Water Tank Trailer of 4,550 Litres capacity Mounted on two Axle, Four Wheels Spring Chasis generally as per Drawing No. M. 2588 and specification. 2 Nos.

(7) Tender No. 6671/36/CST/. Transit Tray Aluminium Size: 350 MM x 510 MM. For 200 components to Drawing No. MH-2216-a. 100 Nos.

(8) Tender No. 6671/35/CST. No. 473. Transit Tray Aluminium Size: 510 MM x 350 MM for 80 components to drawing No. MH 2218. 200 Nos. Drawings for the above items can be had from this factory on advance payment of Rs. 5- each item by crossed postal order.

Closing date 5.10.76 for items 1 to 6 and 26 10.76 for items 7 & 8. Tenders forms available free upto 9-9-76 for items 1 to 6 and 27-9-76 for items 7 & 8.

Note: Other details and specification etc. will be supplied alongwith tender form. Tender fees are non-refundable. For further details Indian Trade Journal may also be seen.

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plant. Each machine weighs 43 tonnes. These machines were designed and manufactured at the Heavy Machine Building Plant of the Corporation. using completely indigenous know-how to suit the coke oven batteries originally supplied by British firms. In doing so, the designers of HEC have implemented maximum possible unification of components and mechanisms with the door machines of Bokaro and Bhilai steel plants. This would help the steel plants to reduce inventories of spare parts to a large extent.

New Issues

Greaves Lombardini will be entering the capital market shortly with a public issue of 12,65,000 equity shares of Rs 10 each and 50,000 (11 per cent) cumulative redeemable preference shares Rs 100 each to raise a part of the resources required for the implementation of Rs 8.86-crore project being set up at Aurangabad for the manufacture of diesel engines in technical and financial collaboration with Lembardini Fabbrica Italiana Motori SPA, Italy. The range of engines proposed to be manufactured by the company would find application in small tractors, power tillers, light commercial vehicles, three wheelers, and agricultural equipment, industrial and construction equipment and defence and marine applications. Commercial production is expected to commence by the middle of 1977. The company envisages good prospects for the sale of these engines both in domestic and overseas markets.

New Registrations

In southern region (comprising the states of Tamil Nadu, Andhra Pradesh, Karnataka, Kerala and the union Territory of Pondicherry) there has been a decrease in the number of companies registered during the quarter ended June 30, 1976. During the quarter under review, 154 companies have been registered (8 public companies and 146 private companies—including one guarantee company) as against 177 companies (21 public companies and 156 private companies) during the previous quarter. The total authorised capital of these newly registered companies is Rs 16,568.50 lakhs, as compared with the previous quarter's figure of Rs 3,305.40 lakhs. Out of these new registrations, nine companies are big sized companies, each having an authorised capital of Rs 50 lakhs and above.

Thirteen companies with an aggregate paid-up capital of Rs 16.29 lakhs went into liquidation during the quarter under review. Three companies have been struck off with a total paid-up capital of Rs 10 lakhs and six companies were finally dissolved.

In all 50 companies comprising of two public companies, 47 private companies (and one guarantee company) with a total authorised capital of Rs 74 lakhs and Rs 341.15 lakhs respectively, were registered during the quarter in Tamil Nadu. Of these, two companies were big sized companies each having an authorised capital of Rs 50 lakhs and above. Seven companies with a total paid-up capital of Rs 7.59 lakhs went into liquidation during the quarter.

One public company with an authorised capital of Rs 75 lakhs and 26 private companies with a total authorised capital of Rs 154.95 lakhs were registered during the quarter in Andhra Pradesh. One company was a big sized company with an authorised capital of Rs 75 lakhs.

Three companies with a total paid-up capital of Rs 10 lakhs were struck off.

Three public companies with a total authorised capital of Rs 274.60 lakhs and 43 private companies with a total authorised capital of Rs 15,169.90 lakhs were registered during the quarter in the state of Karnataka. Of these, three companies were big sized companies each with an authorised capital of Rs 50 lakhs and above. Particularly a government company (private) by name M/s Kundremukh Iron Ore Company Limited has been registered with an authorised capital of Rs 150 crores. One company was finally dissolved during the quarter.

Two public companies with a total authorised capital of Rs 55 lakhs and 27 private companies with a total authorised capital of Rs 421.70 lakhs were registered during the quarter in the state of Kerala. Of these, three companies were big sized companies with an authorised capital of Rs 50 lakhs and above.

Six companies with a total paid-up capital of Rs 8.70 lakhs went into liquidation and five companies were finally dissolved.

Two private companies with a total authorised capital of Rs 2.20 lakhs were registered during the quarter in the union Territory of Pondicherry.

Dividend

(Per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Hindustan Everest Tools	March 31, '76	10.0	8.0
Hindustan Brown Boveri	April 30, '76	15.0*	11.0
Same Dividend			
Seshasayee Paper & Boards	March 31, '76	12.0*	12.0
Hada Textiles	March 31, '76	12.0	12.0
Kanoria Chemicals	March 31, '76	12.0	12.0
Reduced Dividend			
Mukand Iron and Steel Works	March 31, '76	8.0	10.0
Deepak Insulated Cables	March 31, '76	Nil	5.0
Indian Rubber Regenerating	March 31, '76	6.0	9.0
Madanapalle Spinning Mills	March 31, '76	6.0	7.0
Pullangode Rubber and Produce Co.	March 31, '76	15.0	20.0

*On the enhanced capital

Wholesale prices

THE OFFICIAL wholesale prices index (base 1961-62=100) stood at 308.4 during the week-ended August 7, 1976 as against 306.8 for the immediately preceding week and 312.7 for the corresponding week of the last month and 311.2 for the last year. Thus over the month and a year ago, there has been a decline of 1.4 and 0.9 per cent respectively in the index, although compared with the immediately preceding week the index is higher by 0.5 per cent.

Food Articles

The index for "Food Articles" which stood at 341.1 was lower by 6.5 per cent compared with the corresponding week of the last year and by 2.0 per cent compared with the corresponding week of the last month. Compared with the preceding week, the index was, however, higher by 0.7 per cent due to an increase in the prices of gram (+7 per cent), coffee (+6 per cent), moong and onions (+5 per cent each), cardamoms (+4 per cent), masoor, bananas, milk, coconut oil and vanaspati (+3 per cent each), ragi, ghee, eggs, cloves and turmeric (+2 per cent each), and rice, wheat, maize, urad, cashewnuts, groundnut oil, sugar, khandsari and processed food (+1 per cent each). However, the prices of betelnuts (−6 per cent), jowar (−4 per cent), barley, fish and tea (−2 per cent each), and bajra, arhar, potatoes, gur, black pepper and chillies (−1 per cent each) declined.

The index for "Liquor and

Index Numbers of Wholesale Prices by Groups & Sub-groups

(Base : 1961-62 100)

Groups & sub-groups	Week ended 7-8-76	31-7-76	10-7-76 Provisional	9-8-75	12-6-76 Final
Food articles	**341.1**	**338.7**	**347.9**	**364.6**	**319.8**
Foodgrains	315.5	312.8	315.1	382.4	296.1
Cereals	311.3	310.3	310.7	371.9	295.5
Pulses	334.7	324.1	334.9	430.0	299.1
Fruits & vegetables	336.6	331.4	320.1	327.0	331.2
Milk & milk products	330.5	333.1	337.4	342.7	330.2
Edible oils	299.4	295.1	305.0	338.5	240.3
Fish, eggs & meat	655 9	661.8	730.3	601.8	634.7
Sugar & allied products	363.7	364.7	365.8	342.6	331.2
Others	300.9	301.8	337.4	308.2	314.6
Lipuor & tobacco	**327.1**	**327 2**	**323.3**	**313.6**	**320.5**
Liquor	197.0	197.0	197.0	194.2	197.0
Tobacco	333.0	333 2	329.1	319.1	326.2
Fuel, power, light & lubricants	370 3	370.1	369.4	353.0	368.8
Coal	331.6	331.6	331.6	331.6	331.6
Coke	423.4	423.4	423.4	423.4	423.4
Minerals oils	421.3	421.3	421.3	408.8	421.3
Rectified spirit	1404.7	1404.7	1404.7	547.2	1404.7
Electricity	255.1	255.1	251.6	228.8	252.8
Castor oil	376.2	357.6	372.6	268.2	281.4
Industrial raw materials	**305.8**	**301.4**	**319.4**	**281.8**	**277.1**
Fibres	305.1	305.6	313.2	234.6	203.0
Oilseeds	328.0	317.5	350.9	336.3	268.8
Minerals	219.2	219.2	219.2	234.2	219.2
Others	271.0	270.7	276.0	250.5	276.6
Chemicals	**293 2**	**293.1**	**295.0**	**325.9**	**293.1**
Machinery and transport equipment	**257.9**	**257.7**	**257.7**	**261.9**	**257.5**
Electrical machinery	249.4	249.4	249.4	263.6	249.4
Non-electrical machinery	288.1	287.6	287.6	286.7	287.6
Transport equipment	210.8	211.1	211.1	215.6	210.2
Manufactures	**263.1**	**263.0**	**263.0**	**252.4**	**258.1**
Intermediate products	**333.0**	**322.9**	**335**	**305.8**	**319.3**
Textile yarn	257.0	257.1	259	212.0	234.6
Leather	313.3	313.3	319	273.8	306.7
Metals	419.5	419.6	419	413.0	419.2
Linseed oil	303.4	300.1	331	281.9	230.6
Finished products	**246 1**	**246.1**	**245.4**	**239.5**	**243.3**
Textiles	223.7	223.7	220.8	219.0	222.5
Metal products	301.6	301.6	301.3	298.5	298.9
Non-metallic products	309.0	309.0	301	276.9	297.9
Chemical products	265.3	264.6	264	261.7	263.6
Leather products (shoes)	147.0	147.1	147	149.6	147.1
Rubber products	243.3	243.3	245	233.8	244.4
Paper products	223.7	223.7	223	230.2	223.7
Oilcakes	321.5	322.4	356.	277.7	291.2
Miscellaneous	174.0	174.0	174.0	174.5	174.2
All commodities	**308.4**	**306.8**	**312.7**	**311.2**	**294.4**

Source : Office of the Economic Adviser, Deptt. of Industrial Development.

Tobacco" group declined to 327.1 as against 327.2 for the earlier week due to a fall in the price of raw tobacco during the week.

The index for "Fuel, Power, Light and Lubricants" group stood at 370.3 as against 370.1 for the last week. Prices of costor oil (+5 per cent) moved up during the week under review.

The index for "Industrial Raw Materials" which stood at 305.8 declined by 4.3 per cent when compared with the corresponding week of the last month. However, it was higher by 1.5 per cent when compared with the last week owing to an increase in the prices of groundnuts (+5 per cent), copra (+4 per cent), raw silk (+3 per cent), cotton seed (+2 per cent) and rapeseed and raw hides (+1 per cent each). However, the prices of raw hemp and castor seed (—4 per cent each), rubber (—3 per cent) and raw jute and mesta and gingelly seed (—1 per cent each) declined.

The index for the group "Chemicals" stood at 293.2 as against 293.1 for the previous week. At this level, this group was lower by 10.0 per cent as compared with the corresponding week of the last year and by 0.6 per cent over the previous month.

The index for the group "Machinery and Transport Equipment" stood at 257.9 as against 257.7 for the last week. At this level, this group was lower by 1.5 per cent compared with the corresponding week of the previous year.

"Manufactures" group comprising (a) intermediate products and (b) Finished products, stood at 263.1 as against 263.0 for the last week.

(a) The index for "Intermediate Products" stood at 333.0 as against 332.9 for the last week. The items which showed variations during the week were : coir yarn (−1 per cent) and linseed oil (+1 per cent).

(b) The index for "Finished Products" remained unchanged at the last week's level of 246.1.

Index Numbers of Security Prices—All India

(Base : 1970-71 = 100)

Week ended	1975	1976				
	August 2	July 3	July 10	July 17	July 24	July 31
Government and Semi-Government Securities	**96.4**	**96.7**	**96.8**	**96.8**	**96.9**	**96.9**
Government of India	95.3	95.6	95.7	95.8	95.8	95.9
State governments	99.1	99.4	99.4	99.4	99.4	99.4
Semi-government institutions	101.1	101.8	101.8	101.9	101.9	101.9
Debentures	**93.1**	**90.5**	**90.5**	**90.5**	**90.5**	**90.6**
Preference Shares	**85.4**	**81.2**	**81.1**	**81.1**	**81.2**	**81.3**
Ordinary Shares	**99.3**	**100.7**	**101.2**	**102.2**	**102.4**	**102.3**
Tea plantations	116.8	127.7	128.3	131.6	133.8	134.2
Cotton textiles	112.2	92.3	93.6	95.3	94.7	93.8
Jute textiles	108.0	85.3	88.4	89.8	90.1	89.7
Silk, woollen and rayon textiles	115.0	128.7	129.0	130.0	130.5	130.7
Iron and steel	51.0	48.8	48.1	47.6	47.2	46.3
Aluminium	60.7	60.5	60.5	61.4	62.4	63.2
Transport equipment	65.2	72.5	71.4	71.4	72.7	72.6
Electrical machinery, apparatus, appliances etc.	99.7	97.2	97.3	97.9	97.9	98.8
Chemical fertilisers	145.6	168.3	168.2	170.8	170.9	168.2
Other basic industrial chemicals	104.5	122.0	122.7	124.6	125.3	124.5
Cement	86.7	94.6	94.1	92.8	92.4	92.3
Paper and paper products	152.8	137.8	139.1	140.1	140.5	142.7
Rubber and rubber products	91.0	69.2	70.3	72.0	72.8	73.4
Electricity generation and supply	62.4	69.7	70.0	70.4	70.8	71.1
Shipping	150.5	157.5	159.8	163.5	163.2	164.2

Source : Reserve Bank of India.

Reserve Bank of India (Rs lakhs)

	July 30, 1976	A week ago	A month ago	A year ago
Issue Department				
Notes held in Banking Department	32,62	45,50	41,27	12,34
Notes in circulation	6,939,17	7,044,15	7,173,22	6,262,63
Total notes issued	6,971,79	7,089,65	7,214,50	6,274,97
Gold coin and bullion	182,52	182,52	182,53	182,53
Foreign securities	546,74	546,74	546,74	121,74
Rupee coin	22,08	19,95	14,79	10,32
Government of India rupee securities	6,220,44	6,340,44	6,470,45	5,960,38
Banking Department				
Deposits of :				
Central government	56,77	52,11	50,98	84,90
State government	13,98	11,79	19,10	14,95
Scheduled comm. banks	708,37	626,67	619,05	576,64
Scheduled state co-operative banks	25,45	35,92	43,93	16,92
Non-scheduled state co-operative banks	1,68	1,69	1,84	1,59
Other banks	98	80	1,18	88
Other deposits	2,183,50	2,167,33	2,162,48	1,047,80
Other liabilities	1,850,14	1,850,95	1,867,29	1,843,05
Notes and coins	32,72	45,61	41,34	12,45
Balance held abroad	1,387,32	1,356,98	1,219,36	414,86
Loans and advances to state governments	266,33	264,41	224,21	121,02
Scheduled comm. banks	818,50	786,92	1,043,58	55,18
State coop. banks	261,99	251,11	240,43	381,99
Other loans& advances	595,69	593,97	594,08	408,35
Bills purchased and discounted				
(a) Internal	151,69	152,83	142,04	59,74
(b) Government treasury bills	239,57	237,40	261,82	650,58
Investments	324,33	284,32	193,49	1,125,60
Other assets	762,74	773,71	805,50	356,97

Scheduled Commercial Banks

(Rs lakhs)

	July 30, 1976	A week ago	A month ago	A year ago
Aggregate deposits	15,421,99	15,419,02	15,171,95	12,799,89
Demand deposits	6,199,74	6,237,89	6,159,56	5,350,29
Time deposits	9,222,25	9,181,13	9,012,39	7,449,60
Borrowings from Reserve Bank	818,50	786,92	1,043,58	55,18
Cash and Balances with Reserve Bank	1,026,59	949,57	963,51	847,59
Cash	318,22	322,90	344,46	270,95
Balances with Reserve Bank	708,37	626,67	619,05	576,64
Investments in government securities	3,589,33	3,573,83	3,499,67	2,972,93
Bank Credit	11,746,42	11,759,85	11,670,60	8,852,95
(a) Loans, Cash Credits and Overdrafts	8,936,47	8,945,48	8,953,47	7,240,79
(b) Inland bills--				
Purchased	970,82	999,31	955,40	1,297,80
Discounted	1,349,53	1,320,11	1,283,58	
(c) Foreign bills--				
Purchased	317,78	323,08	306,52	314,37
Discounted	171,82	171,87	171,63	
Cash-Deposit Ratio	6.66	6.16	6.35	6.62
Investments – Deposit Ratio	23.27	23.18	23.07	23.23
Credit-Deposit Ratio	76.17	76.27	76.92	69.16

Source : Reserve Bank of India.

Money Supply with the Public (Rs. crores)

Week ended	1975	1976				
	July 25	June 25	July 2	July 9	July 16	July 23
Money Supply with the Public	12,090	13,602	13,753	13,838	13,768	13,645
Currency with the public	6,514	7,295	7,330	7,418	7,358	7,220
Other Deposits with the Reserve Bank	55	50	58	42	51	38
Bank Money	5,521	6,257	6,365	6,378	6,359	6,387
Factors affecting Money Supply						
Net Bank Credit to Government Sector (a + b)	10,875	10,814	10,670	10,726	10,713	10,723
(a) Reserve Bank's net Credit to Government Sector	7,659	7,256	7,041	7,064	7,072	7,030
(b) Other Banks Credit to Government Sector	3,216	3,558	3,629	3,662	3,641	3,693
Bank Credit to Commercial Sector (a + b)	11,030	13,875	14,141	14,266	14,331	14,309
(a) Reserve Bank's Credit to Commercial Sector	613	740	790	797	799	800
(b) Other Banks' Credit to Commercial Sector	10,417	13,135	13,351	13,469	13,532	13,509
Net Foreign Exchange Assets of Banking Sector	305	1,279	1,267	1,309	1,351	1,404
Government's Net Currency Liabilities to the Public	551	551	551	551	551	546
Non-Monetary Liabilities of Banking Sector (a + b + c)	10,671	12,917	12,876	13,014	13,178	13,337
(v) Time Deposits with banks	8,019	9,461	9,496	9,552	9,556	9,629
(b) Net Non-Monetary liabilities of R.B.I.	2,041	2,449	2,493	2,471	2,520	2,554
(c) Residual	611	1,007	887	991	1,092	1,154
Aggregate Monetary Resources	20,109	23,063	23,249	23,390	23,334	23,274

Source : **Reserve Bank of India.**

Consumer Price Index Numbers for Industrial Workers (Base 1960 = 100)

Centre	1965-66	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1975			1976			
									Apr.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
All-India	—	177	186	192	207	250	317	313	323	315	306	298	290	286	289
Ahmedabad	130	169	176	181	198	245	305	293	307	295	289	281	273	268	273
Alwaye	145	197	198	202	215	267	346	358	391	356	346	333	318	322	325
Asansol	140	178	189	194	206	245	316	317	318	225	315	310	304	302	306
Bangalore	144	183	186	194	212	265	318	332	336	339	332	322	312	304	302
Bhavnagar	132	178	186	194	217	273	327	315	329	318	312	302	294	290	292
Bombay	130	175	182	190	203	233	289	300	303	303	296	292	288	286	291
Calcutta	131	172	182	187	197	228	288	287	280	304	287	277	271	276	286
Coimbatore	132	154	163	177	189	218	309	319	334	314	302	299	293	289	281
Delhi	136	185	199	211	222	265	337	333	339	334	328	325	326	324	323
Digboi	138	180	189	188	198	234	310	317	325	310	305	302	302	303	304
Gwalior	139	184	191	197	214	271	348	324	334	327	321	305	298	293	301
Howrah	137	176	186	191	206	239	298	290	286	304	292	281	276	277	283
Hyderabad	140	185	189	195	211	251	304	316	319	329	324	308	294	289	289
Jamshedpur	136	170	183	187	202	249	313	293	299	298	289	279	277	275	275
Madras	134	160	170	182	203	229	301	314	325	322	304	286	280	272	272
Madurai	128	162	183	192	206	236	334	333	354	313	303	301	295	280	280
Monghyr	151	188	205	204	225	292	363	325	335	326	310	311	303	299	290
Mundakayam	138	191	197	199	210	263	337	346	377	344	330	327	311	311	312
Nagpur	138	176	187	192	203	256	314	326	331	339	329	304	286	277	281
Saharanpur	141	181	186	198	213	253	338	313	331	340	306	304	301	293	304
Sholapur	128	176	185	198	216	277	325	342	351	349	338	324	301	291	300

Source : Labour Bureau, Government of India.

Consumer Price Index Numbers for Urban Non-manual Employees (Base 1960 = 100)

Centre	1965-68	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975	1975					1976
								Jan.	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
All-India	**132**	**167**	**174**	**180**	**192**	**221**	**270**	**280**	**280**	**280**	**280**	**280**	**276**	**271**
Bombay	132	162	168	172	183	204	241	246	247	246	247	250	246	243
Delhi-New Delhi	131	168	174	180	190	217	262	269	279	277	276	275	272	270
Calcutta	126	162	170	174	180	204	238	239	245	244	246	248	244	240
Madras	133	161	175	188	204	231	291	311	312	312	313	315	307	297
Hyderabad-Secunderabad	133	167	174	180	195	223	270	289	284	283	286	289	285	279
Bangalore	133	164	172	180	194	228	272	284	282	284	286	287	287	286
Lucknow	132	161	166	174	185	215	265	272	274	275	275	274	269	265
Ahmedabad	131	168	171	173	188	222	271	279	278	273	273	274	266	262
Jaipur	133	176	183	188	205	244	308	317	316	317	315	313	310	306
Patna	139	180	191	190	199	229	286	293	287	287	288	288	284	282
Srinagar	134	174	184	191	200	215	262	272	284	288	288	283	283	275
Trivandrum	131	172	178	184	198	231	280	288	293	292	294	300	304	300
Cuttack-Bhubaneswar	142	169	176	184	196	221	266	273	273	274	275	276	267	260
Bhopal	133	172	180	188	204	238	295	305	303	301	298	298	297	297
Chandigarh	129	171	178	183	194	217	265	277	277	281	280	280	280	276
Shillong	123	164	166	175	183	208	257	262	278	289	282	279	274	261

Source : Central Statistical Organisation.

Labour Situation at a Glance

Item	1961	1966	1969	1971	1972	1973	1974	1
No. of Working Factories	50,095	64,872	72,343	80,996	86,297	91,199	95,805	
Average Employment ('000s)	3,928	4,702	4,799	5,083	5,349(P)	5,502(P)	5,625	
Average Employment Per Factory	78.2	72.5	66.3	62.7	62.0	60.3	58.7	
Average Money Earnings (In Rs.)								
(a) Factories (Annual)	1,540	2,112	2,588	2,821	3,008	3,124(P)	—	
(b) Coal Mines (Weekly)	23.56	34.56	52.31	56.27	60.17	72.66	—	
Index Numbers of Wage Rates								
(Base : 1963-65 = 100)	—	—	150.3	174.8	183.9	202.7	251.8	
Social Security Scheme Coverage								
(Subscribers in '000s at the end of March)								
(a) Employees' Provident Funds Scheme	2,929	4,570	5,329	5,990	6,251	6,693	6,970	7,603
(b) Employees' State Insurance Scheme	1,678	3,129	3,449	3,839	3,976	4,150	4,303	4,385
Trade Unions								
(a) Registered (in number)	11,614	14,686	18,837	21,606(P)	21,757(P)	—		
(b) Membership of Unions Submitting Returns (in '000)	3,977	4,392	4,900	4,409(P)	1,008(P)			
Industrial Disputes								
(a) Number of Disputes	1,357	2,556	2,627	2,752	3,243	3,370	2,938	1,861(P)
(b) No. of Workers involved (in '000s)	512	1,410	1,827	1,615	1,737	2,546	2,855	1,107(P)
(c) No. of Mandays lost (in lakhs)	49.19	138.46	190.48	165.46	205.44	206.26	402.62	215.64(P)
(d) No. of Mandays Lost per 1000 Workers in Manufacturing	1,022	2,041	2,903	2,328(P)	3,035(P)	3,038(P)	4,649(P)	—
Absenteeism (in %)								
(a) Bombay (Cotton Mills)	11.9	19.5	18.8	19.3	17.3	18.4	19.3	20.1
(b) West Bengal (Engineering)	13.3	14.8	14.5	15.3	16.0	16.2	17.2	15.5
Industrial Injuries (in lakhs)								
(a) Frequency Rate per 1000 Workers Employed	45.67	51.33	63.48	75.67	63.63(P)	59.47(P)		
Prices: All-India								
(a) Consumer Price Index Number for Industrial Workers (1960 = 100)	104	151	175	190	202	236	304	321
(b) Wholesale Price Index Number (1961-62 = 100)	100	144	169	186	203	239	305	309(P)

P = Provisional.

Source : "Handbook of Labour Statistics 1976", Employers' Federation of India.

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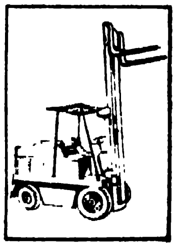

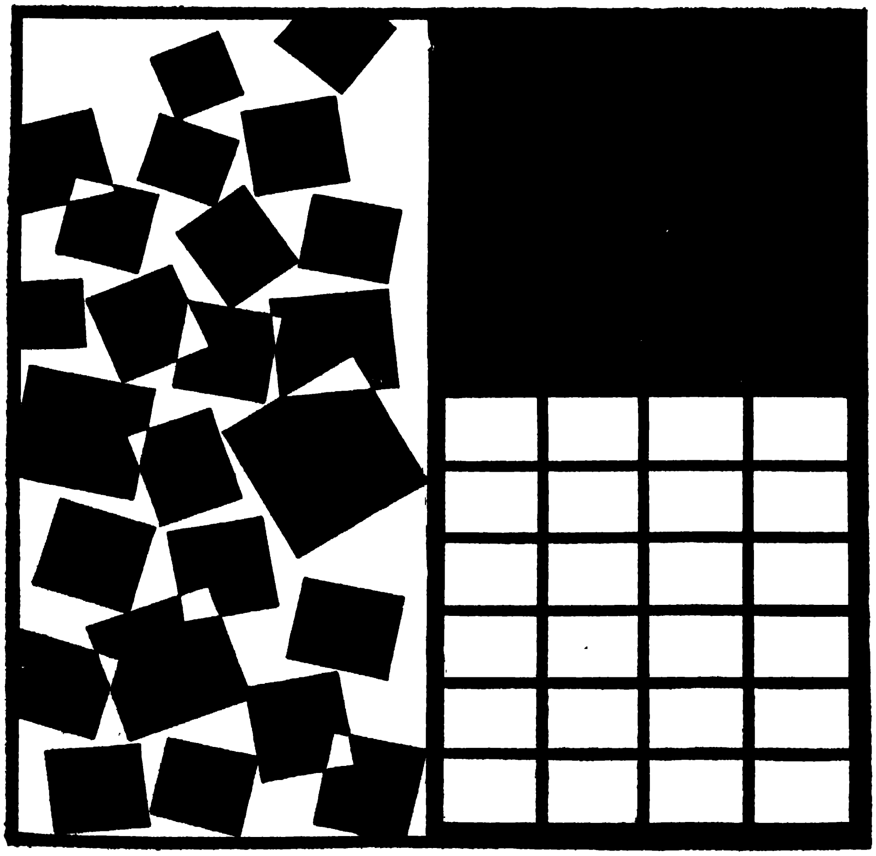

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Accord over Cauvery waters

IT IS INDEED a pity that after nearly three decades of attaining Independence, many of the inter-state water disputes in this country have remained unresolved. For many years the governments in the quarrelling states belonged to the same party which ruled at the centre, and yet it was not found possible to bring round the recalcitrants. And now, Mr Jagjivan Ram, the union minister for Agriculture and Irrigation, has succeeded in bringing about an understanding among the Tamil Nadu governor, the Karnataka chief minister and the Kerala Irrigation minister over Cauvery waters after discussions extended over two days. In a statement which Mr Jagjivan Ram made in Parliament on August 27, he went over the various recent attempts beginning in 1970 which had been made for the settlement of this dispute and why the government had drawn a blank so far. It appeared that persuasion by the centre and conciliatory postures taken by the three state governments were largely responsible for the agreement, though the credit for this achievement must go to Mr Jagjivan Ram who has a unique record of successes ever since he started directing the affairs of this ministry.

For making the three states agree to a broad outline of the accepted formula, reliance was put on a scheme of management which had been successfully tried in this country, namely, the Damodar Valley Corporation (DVC). On the same lines as the DVC, it was decided to set up the Cauvery Valley Authority (CVA) which will have one irrigation engineer from each state and which will be presided over by an irrigation engineer to be nominated by the centre.

The task of framing the rules and regulations of the CVA has been assigned to a committee of secretaries of the three states which will come up for discussion and approval at the next meeting of the Tami Nadu governor and the chief ministers of Karnataka and Kerala. Where there is a will, there is a way. Since an atmosphere of cordiality has been created, an agreement on the formula worked out by the technocrats will result in benefit to all the concerned states.

So far, total utilisation of water from the Cauvery river system is around 671 TMC, according to Mr Jagjivan Ram. The shares of the three states are: 489 TMC by Tamil Nadu, followed by 177 TMC by Karnataka and five TMC by Kerala. What the CVA would have to do would be to increase the utilisation of water without affecting the existing ayacuts. There was also agreement on instituting the maximum possible economy in the use of the water of this system so as to conserve it for making available multipurpose benefits such as energy for domestic and industrial purposes and increased irrigation. The emphasis would be on equitable distribution so as not to generate bickering.

The distribution of the water of the Cauvery becomes a problem not at the peak of the season when every state can have its fill; the real trouble arises either in a lean year or in lean months. The special committee which is proposed to be constituted will see to it that fair distribution will result in lean periods as well. And this is something which is being left to the irrigation engineers who will advise the CVA according to guidelines agreed to beforehand. What is significant is that the committee of engineers has been given a period of three months only within which they have to finalise their report. It clearly shows that the governments both at the centre and the states are keen to finalise the terms of the agreement in the shortest possible time.

It is true that the Cauvery represents only one of the disputed water systems and many more remain to be tackled. It is however legitimate to entertain the hope that the CVA represents only the beginning of a chain of agreements which will very soon assist this country in extending the area under irrigation and also in generating increasing quantities of electricity. After all, the absence of agreement all these years has not allowed increased exploitation of water which would have brought increments in incomes of all the three states.

At a recent meeting with the Forum of Financial Writers in the capital, Mr Jagjivan Ram opined that the accord on Cauvery will result in prosperity to all the three states and no fresh problems are likely to crop up for the next eight to 10 years. And a day might come when all the water of the Cauvery would be used for human benefit with very negligible quantities flowing every year to the sea.

Non-tariff barriers

ADDRESSING a seminar in the capital recently, Dr P.C. Alexander, secretary, Foreign Trade, of the union Commerce ministry, suggested that Indian businessmen should take a keen interest in the multilateral trade negotiations that were going on in Geneva under the auspices of the General Agreement on Trade and Tariffs (GATT). He explained that these negotiations were of considerable significance because they would offer substantial benefits to our country by providing improved access to the markets of the developed countries. These concessions would be in addition to those available under the Generalised Scheme of Preferences (GSP). Mr Alexander estimated that Indian exports valued at about Rs 125 crores were likely to be benefited under these negotiations. But it is not clear how Indian businessmen can follow these discussions and take advantage of them when so little information is made available on this subject.

eliminating impediments

The objective of the multilateral trade negotiations is to eliminate or liberalise tariff barriers and other impediments to the free flow of trade such as quantitative restrictions, customs valuation procedures, and technical standards. The negotiations started in February 1975 and six groups have been set up to study the various aspects. These groups are on tariffs, tropical products, agriculture, non-tariff measures, safeguards, and the sector approach. Some of these groups have set up sub-groups to facilitate detailed studies. Panels have also been formed relating to each group and sub-group.

Although these negotiations have now reached an advanced stage, it seems that neither the government of India nor exporters and their organisations have yet a clear idea of the kind of non-tariff barriers that are resorted to by the developed countries. In fact, it is only a few weeks ago that the union Commerce ministry approached apex bodies like the Federation of Indian Export Organisations (FIEO) and sought information regarding the difficulties experienced by exporters due to barriers such as those relating to standards, packaging, labelling, marks of origin, and so on. The FIEO and other organisations however do not have adequate data and therefore they have asked major exporters and chambers of commerce to provide the data on an urgent basis.

regulatory measures

Information is sought on the products whose exports are affected by the regulations in other countries relating to standards, packaging, and labelling; details of the standard specifications and how they hurt exports; instances of Indian goods whose export is restricted due to their non-conformity with the specifications; and particulars of discrimination between one country and another in applying the standards. It is known that the UK, West Germany, France, the USA, Japan and a few other countries have imposed safety and industrial standards in regard to electric power machinery, television and radio broadcasting equipment, wires and cables, and similar products. The USA and Canada have resorted to restrictions relating to packaging and labelling on the import of marine products, and certain kinds of leather garments. But the available data on these and other products are meagre and not up-to-date.

One wonders why the union Commerce ministry has not made any permanent arrangement to collect the details of non-tariff barriers and make them continuously up-to-date. The commercial sections of the Indian embassies should be asked to furnish such information on a regular basis to the Commerce ministry. The FIEO, the FICCI and other business organisations should also play their part in equipping themselves with reliable details of the non-tariff barriers and about the extent and manner in which they affect our exports. Scores of trade delegations are going abroad both under official and non-official auspices but their reports and recommendations contain hardly any reference to the role of non-tariff barriers which hurt our exports.

difficult task

The task of collecting such information is however not easy. As the International Chamber of Commerce has said in a study: "The enquiries which have been conducted to detect non-tariff barriers have shown such a wealth of individual practices that the publication of a comprehensive list will require several volumes. Moreover, it would be misleading to give the impression that it is possible to give a balanced description of the record of each country, as there are many divergencies of view regarding the effect on trade of individual measures, their justification or otherwise, or even their existence". But, despite the magnitude of this problem, both government and industry should make every effort to acquaint themselves with the details of the non-tariff barriers so that we can effectively participate in the multilateral trade negotiations.

Meanwhile, our country should take full advantage of the concessions available under the GSP. Although India is one of those countries which have been strongly advocating the need for the removal and reduction of tariff barriers, our exporters have been slow in benefiting from the GSP. India's total exports under the GSP were valued at Rs 172 crores in January-June 1975 compared to Rs 252 crores in the similar period of 1974, a decline of over 32 per cent. Though some increase took place in the export of engineering goods under the scheme, many other items such as textiles, jute goods, chemicals and coir

products have declined. In regard to the GSP also, there is need to keep our exporters correctly and continuously informed about its implementation.

The union Commerce ministry should strengthen its machinery for the collection of correct and comprehensive information about tariff and non-tariff barriers. The prospects for expanding our exports have improved with the end of recessionary conditions in many developed countries. The Indian economy is also developing rapidly with a high rate of growth in industrial and agricultural production. Export policies are acquiring more pragmatism. It will therefore be unfortunate if, due to the information gap, our exporters are not able to gain increased access into the markets of the developed countries.

Buoyancy in engineering exports

CONSIDERING THE fact that the Association of Indian Engineering Industry (AIEI) has set before itself the target of raising exports of engineering products to as much as Rs 1,000 crores by 1978-79 –the terminal year of the current five-year Plan -the targets put forth at its meeting here last week by the Engineering Export Promotion Council (EEPC) for stepping up these exports to Rs 500 crores during the current financial year and Rs 650 crores two years hence ostensibly appear to be conservative. The EEPC expects that the level of Rs 1,000 crores exports might be touched only by the turn of the decade. A closer scrutiny, however, shows that the EEPC's targets are not so modest. The difference between them and the AIEI target gets narrowed down considerably if adequate allowance is made for the civil construction jobs being taken up by us particularly in the west Asian countries, which do not seem to have been fully taken into account by the EEPC.

full utilisation needed

Even according to a study of the export performance of the 200 leading engineering concerns, specially prepared by the EEPC for its last week's meeting, exports of engineering goods can be raised to Rs 900/1000 crores by 1978-79 and further to nearly Rs 1500 crores in the beginning of the eighties, provided, of course, the existing capacities in most of the lines of manufacture can be fully utilised. This, indeed, is a very rosy prospect. But the EEPC seems to have erred in arriving at these projections by ignoring the fact that some of the enterprises whose performance has been studied are particularly attuned to the domestic requirements, including the defence needs, and they, therefore, cannot be expected to undertake export orders to any large extent, except where they have significant spare capacity.

forward projections

The existing capacities of several giant concerns, particularly in the public sector, thus, do not lend themselves to straight mathematical calculations on the basis of which the above very rosy prospect has been painted. Some greater refinement in making forward projections, it is hoped, will be exercised in the future studies of the EEPC. Rightly, of course, the above study mentions that it may not be possible to make appreciable headway for some time in the export of passenger cars, aircraft, ships and boats - apparently because of the keen competition in the world markets in these lines and also due to our inability to match the exceedingly liberal terms provided by the manufacturers of the advanced countries.

Notwithstanding the above, it of course is a matter of gratification that the progress of engineering goods exports hitherto as well the good prospects in the coming years are enabling us to diversify our external trade a great deal. These exports aggregated to just Rs 125.9 crores in 1971-72 and Rs 150.5 crores in 1972-73. They went up to Rs 180.18 crores in the succeeding year and to as much as Rs 349.11 crores in 1974-75. The last year's exports are estimated at slightly over Rs 400 crores. These figures not only suggest that very concerted efforts have been made—as ought to have been the case—to step up these exports but also indicate that our competence to export engineering products is gaining acceptance abroad. A clearer indication of the latter is available from some of the contracts secured recently from the developing countries in west Asia, Africa and south-east Asia as well as from such sophisticated markets as New Zealand and West Germany and that too in the face of keen competition from the advanced nations.

prestigious contracts

Some of the prestigious contracts bagged in the past few months include the Rs 102 crores contract with Libya for setting up a complete thermal power station comprising two 120 MW boilers and turbo-sets with all auxiliaries and ancillaries, including a desalination plant, on a turnkey basis, a Rs 17 crores deal with Malaysia for the supply of three 120MW boilers, a Rs 9 crores contract for exporting hydro turbo-sets to New Zealand, Rs 28.5 crores deal for setting up on turnkey basis a sugar plant in Tanzania, an export order of 1,000 tractors to Turkey and a Rs 230 crores turn-key project for constructing 3,370 dwelling units housing complex in Kuwait. The Heavy Engineering Corporation, which till lately was considered to be one of the sick units in the public sector, because of gross underutilisation of its capacity, too has been able to secure (with cooperation from the USSR) export orders aggregating to Rs 9 crores for third country projects. So far as West Germany is concerned, we have started exporting some auto ancillaries and components to be used as original equipment.

This near-breakthrough, indeed, should indicate that a fast multiplication of exports of our engineering goods should not be ruled out, provided, of course, an all-out effort is made to step up these exports. In fact, the export orders booked in the last four months make quite a pleasant reading. Excluding the construction job in Kuwait, the export orders registered with the EEPC during the first four months of the current financial year have aggregated to Rs 234 crores, which has raised the value of contracts on hand to as much as Rs 628 crores. The exports effected too have not been less encouraging: during April and May, they amounted to Rs 77.25 crores—an increase of 29 per cent over the exports during these months last year.

The most encouraging fact to be noted about engineering exports, of course, is that there is a growing realisation on the part of the industry that exports cannot be undertaken on an *ad hoc* basis during a recession alone and that they have to be assiduously built up as a regular feature. As the EEPC chairman, Mr R.C. Maheshwari, put very ably in his presidential address to the last week's meeting, "exports must now come to be universally regarded (by the industry) as an essential and integral part of our overall manufacturing and sales programmes. It can no longer be acceptable that we continue to luxuriate within the more secure and lucrative confines of the domestic market and resort to export as an *ad hoc* experience. Every single unit has to view export as a national commitment." This attitude has already been developed by some of our major enterprises, both in the public and private sectors. The pertinent cases in the public sector are those of Bharat Heavy Electricals, Heavy Engineering Corporation, Bharat Earth Movers and such departmental undertakings as the railways. In the private sector, there are a number of units which are making concerted efforts to export their products so that they can expand their operations.

greater participation

The plea of Mr Maheshwari in his above-mentioned address for the setting up of a high-powered committee at the centre, comprising the secretaries in the ministries of Industry, Commerce, Finance and Technical Development, to go into the problems of securing greater participation by leading individual manufacturers in the export effort and to discuss with them in depth the various difficulties experienced by them deserves pertinent note. This is because even though the responsiveness which the government has shown to the problems of exporters in general and those of the engineering products in particular in the past few months is well appreciated, as also the speed with which remedial measures have been initiated, there is need for removing whatever bottlenecks or constraints that remain. One of the significant constraints pointed out by Mr Maheshwari is the slow percolation of the decisions at the highest level to the lower rungs of administration. He, therefore, has called for a speedier translation into practice of salutary policy decisions taken to help the export effort. Such a dialogue with industry should also help in planning in advance about the various inputs required by exporters—such constraints undoubtedly have been a major drag on the export effort.

government acceptance

Some of the other suggestions made by Mr Maheshwari, of course, have already been accepted by the government. These include maintaining of stability in the policy framework regarding export incentives, liberalisation of foreign exchange for foreign travel and participation in world trade fairs. One specific suggestion which deserves careful thought, however, is the institution of promotional freight tariffs in respect of exports of sensitive commodities which have high potential, because shipping freight is stated to be proving prohibitive in the case of several of our products. Inadequate and irregular berth coverage for certain destinations is also providing a major bugbear to the industry. It is hoped concerted thought would be bestowed on this issue by the ministry of Shipping expeditiously.

Both the minister for Commerce, Prof D.P. Chattopadhyaya, who inaugurated the last week's meeting of the EEPC, and the minister for Industry, Mr T.A. Pai, who addressed it as the chief guest did well in emphasising that in view of the need for going in for bigger and bigger turn-key projects abroad, the consortia approach should be adopted and only the highest quality exports should be effected. Mr Pai called for a selective approach in the export of engineering products. He pointed out that one bad execution could tarnish the image of the country much more than nine good implementations could build up the image. The strengthening of the after-sales service too was emphasised by both Prof Chattopadhyaya and Mr Pai, for that would go a long way in inspiring confidence among buyers.

The emphasis placed by Mr Maheshwari on fuller utilisation of installed capacities only needs to be endorsed; that is a sure way of bringing down production costs and making our products more competitive in the world markets. As Mr Pai has observed recently, there is also need to produce quality goods not only for the foreign market but also for the domestic consumer. A dual policy in this regard will not do now; it can create unnecessary complications. The domestic consumer, who has made substantial sacrifices during the era of planned development over the last 25 years, too expects that not only production costs should be brought down to compensate for his sacrifices but also quality should be improved.

It is further heartening to note that the need for providing deferred payment facilities to the needy developing countries is being increasingly recognised. We, of course, are not yet in a position to compete with the advanced countries on this score and have to offer a competitive package otherwise. If the current trend of surplus on trade account as well as the substantially increased inflow of invisibles continues, it may be possible for the government to liberalise at least to some extent the deferred payment facilities, which will facilitate realisation of the high expectations now being entertained in respect of engineering exports.

fast multiplication

Undoubtedly exports of engineering goods will multiply fast only if we go in for more and more turn-key projects and also for joint ventures abroad. This may require increased allocation of foreign exchange for some purchases of equipment and machinery in the advanced countries. Our consultancy organisations too can play a good role in promoting exports as they are eminently suitable for the developing countries which are passing through the same vicissitudes through which we have passed. The pitfalls which we had to encounter in industrialising our country can be avoided by other developing countries by drawing upon our experience.

Money supply is not the villain

THE INCREASE in the index of wholesale prices by 24 points to 306 from the end of March this year to the middle of August and a faster expansion of money supply have caused serious concern in union Finance ministry circles and it is being examined whether there is need for regulating more strictly the growth in money supply and refashioning credit policy for the next busy season. The awareness shown by the government of India in tackling problems responsible for the recent rise in wholesale prices for some commodities and the anxiety at the same time to aid the forces of economic revival have led to a series of measures which have had a salutary effect and there are indications that inflationary pressures can be effectively controlled if the supply lines of essential commodities are properly and regularly fed.

It is not, however, quite correct to say that the upward trend in prices of edible oils, raw cotton and sugar and even of foodgrains in some areas has been due to an increase in money supply or excessive credit expansion. On the contrary, the inability to detect the emergence of shortages in some directions and over-anxiety to maximise export earnings through shipments of edible oils, raw cotton and sugar have resulted in inadequate supplies for internal consumption just at a time when recessionary trends are receding and a seasonal increase in demand is usually experienced during the festivities in different parts of the country.

imports arranged

The imports of edible oils and raw cotton now being arranged and a staggering of sugar exports should prevent a further rise in prices though other measures too will be necessary for preventing the inflationary impact of higher cost import. It will also be necessary to release larger quantities of sugar for internal consumption even while slowing down exports. It has besides been clearly brought out that there will have to be anticipatory movements of sugar to different sectors during the period of monsoon as the impact of additional releases of free sale sugar has not yet been felt and open market prices are at the highest levels in some centres. Apart from arranging for quick despatches from factories of the released quantities it may be necessary to pump additionally 100,000 tonnes of sugar before the end of October.

decline in prices

With easier availability of essential commodities it can be expected that prices will decline to reasonable levels, especially as new crop supplies of groundnut and cotton will begin to be received after October/November. An effort should be made to maximise production of sugar in the next season with formulation of appropriate price policies for sugarcane and levy sugar. As regards the regulation of money supply and the review of credit policy care should be taken to avoid negative attitudes. The growth in money supply has been taking place in a desirable manner though in view of the unprecedented expansion of credit and heavy inflow of remittances from non-resident Indians to dependents in this country, there has been a generation of cash at particular levels which is accustomed to spending incomes on consumer items because of unsatisfied needs or low-standards of living.

There are however some misconceptions about the additions to purchasing power which have taken place due to larger remittances from non-resident Indians. It is overlooked that even when there was illicit compensatory financing, the recipients were incurring rupee-expenditure in the same manner as now. Only it may be said that to the extent the smuggling of consumer goods has been effectively checked, there has been a reduction in availability and an increase in demand for indigenous products. This is a welcome development, especially as textiles and various other essential commodities are in adequate supply. There has also been a net advantage to the banking system in the shape of higher deposits following the emergence of a trade surplus in the first four months of the current financial year and the retention of a sizable portion of foreign exchange remittances in the form of deposits with the scheduled commercial banks. The efforts to mobilise additional resources by banks in new areas have also yielded spectacular results. There has thus been an increase in deposits of scheduled commercial banks by as much as Rs 2069 crores between December 26, 1975 and August 13, 1976 against only Rs 1,221 crores in the corresponding period in 1975. It will be interesting to find out how the various components contributed to the spectacular growth in deposits.

The banking system is thus in a position to supervise more effectively available rupee resources with increasing monetisation of the economy. There has of course been a faster growth of note circulation also because of the expansion of procurement credit. It remains to be seen whether there can be a repetition of the happenings of 1975-76 as entirely different policies may have to be pursued in respect of procurement for building up buffer stocks.

difficult position

In view of the fact that 17 million tonnes of foodgrains are even now held by the Food Corporation of India and other agencies and five million tonnes out of this quantity are stored in the open, the Food Corporation will find itself in a difficult position when procurement operations have to be undertaken in respect of kharif crops. In the last slack season there was a decline in buffer stocks up to the end of August 1975. Thereafter a steady rise was recorded though it is not clear whether imports were mainly responsible for a big rise in food credit by Rs 169 crores in two months to Rs 741 crores on October 31, 1975. If imports were responsible to a significant extent for this big rise, procurement credit may not rise in the same manner in September/October though it is a moot question whether there will be a net contraction in procurement credit. It is quite likely that buffer stocks will be around at least 16 million tonnes by the end of October and fresh procurement purchases may create problems of storage in subsequent months. The latest estimates suggest that the output of kharif food crops may be only slightly less than the record of last season and rice procurement may have to be again of the order of six million tonnes. It is therefore probable that the 20 million tonne mark will be reached by March next year which may create unmanageable problems relating to storage. Also even if it is decided that there should be change in the formula for providing refinance against procurement credit and bank funds are utilised to a greater extent than now for holding buffer stocks, the increase in purchasing power of farmers cannot be prevented.

A sizable net addition to money supply and notes in circulation can be prevented only if procurement purchases are confined to operational stock and there are no net additions to basic buffer stock. The government may find it difficult to take definite decisions in regard to a reduction in procurement purchases as support operations on a large scale may have to be carried out in order to prevent a slump in open market prices. The removal of restrictions on inter-zonal movements may be helpful to some degree though in times of plenty freer movement may be utilised by traders to depress prices initially in order to take them up later. It has, therefore, to be examined whether export of foodgrains to a limited quantity can be arranged out of official stocks and procurement operations designed suitably in the light of new developments.

It will obviously be necessary to maintain a close watch on the food situation and take appropriate decisions for regulating buffer stocks and open market prices. The proper course would be to maximise production of essential commodities and liberalise also imports wherever necessary. In view of the need to maintain industrial production at a high level and sustain the export effort apart from meeting internal demand, the credit policy may have to be liberalised instead of being stiffened. The growth in money supply and credit so far has not been undesirable having regard to the higher level of agricultural and industrial production. There has also been no unusual feature in credit expansion in the 12 months ended August 13, 1976. Against an increase in deposits by Rs 2743 crores, non-food credit has risen only by Rs 1323 crores, while food credit has accounted for as much as Rs 1515 crores. During the slack season so far also there has been no unusual rise in non-food credit, it being only Rs 86.63 crores between April 30 and August 13, 1976 against Rs 63.08 crores in the corresponding period during 1975. With declining stocks of sugar, steel and fertiliser the net increase in non-food credit may not be sizable in coming weeks while the requirements of industry and trade in the next busy season may not create serious problems as there will be price stability and a good offtake for a higher level of production. The new credit policy will, therefore, have to be constructively conceived and the Reserve Bank should also consider the possibility of lowering interest rates even while adopting strict procedures for revising credit limits to needy borrowers. The present situation is hopeful in many respects and there should be no alarmist approach when framing new fiscal and credit policies.

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R. C. Ummat

Delicensing of industries • Import liberalisation • Engineering and consultancy exports • Railway traffic trends

THE UNION government intends to delicense some more industries, provided the entrepreneurs interested in them do not have recourse to borrowings from public financial institutions. This was indicated by the minister for Industry, Mr T. A. Pai, in the Rajya Sabha last week Mr Pai said that the government wanted to see that in all industries where local raw materials were available, people should have freedom to start undertakings by mobilising their own resources.

Twenty-one industries, it may be recalled, were delicensed last year, subject to certain conditions such as the items of manufacture not being reserved for the small-scale sector, the industrial undertakings going into them not falling within the purview of either the MRTP Act and/or the Foreign Exchange Regulation Act, and the industrial units not requiring any imported goods, raw materials or foreign collaboration.

Mr Pai also informed the House that the rules under the Industries Development and Regulation Act had been amended with a view to liberalising the investment procedures. The administrative ministries were authorised to grant COB licences or to dispose of applications for diversification or change of location of an industrial unit within a state.

* *

Further evidence is available of the present comfortable foreign exchange situation of the country being utilised for liberalising imports of essential raw materials for industry. The sizeable imports arranged for meeting the requirements of the vanaspati industry have already been reported in this column. Some details are now available of the contemplated imports of such other raw materials as cotton, polyester fibre, copper and zinc.

The Commerce minister, Prof D. P. Chattopadhyaya, has informed the Parliamentary Consultative Committee attached to his ministry that nearly 10,000 tonnes of polyester fibre might have to be imported this year in view of the increase in the output of the textile industry and the difficulties encountered in respect of the availability of cotton. This will be approximately double the amount imported last year. Orders for 2,850 tonnes have already been booked for these imports by the State Trading Corporation. As regards cotton, he has revealed that 200,000 bales are proposed to be imported to meet the current needs.

copper, zinc imports

The additional imports of copper and zinc are envisaged to be of the order of 7,000 tonnes and 15,000 tonnes, respectively. The need for these imports has arisen because of the higher tempo of industrial production, which during the first four months of the current financial year has been of the order of 10.5 per cent in the organised sector and nearly 18 per cent in the small-scale sector, as against just about 5.5 per cent in the former and about 14 per cent in the latter towards the close of the last financial year. To some extent, imports of copper have also been necessitated by the downward revision in the expected indigenous output this year due to a breakdown in the remming mix of the holding furnace of Hindustan Copper at Khetri. The Minerals and Metals Trading Corporation has been asked to arrange the additional imports. This corporation has already contracted imports of about 29,000 tonnes of copper and 30,000 tonnes of zinc in terms of the import policy announced in April.

A close watch is being kept by the government over the availability of other essential raw materials for industry. Liberalisation of imports of these items too is not ruled out. The government is anxious that raw material difficulties do not hamper production in any way.

* *

The secretary of the ministry of Industry, Mr Mantosh Sondhi, revealed at the last week's meeting of the Engineering Export Promotion Council that with a view to maximising exports of engineering products, the government was not averse to making available steel to exporting units at the export price. A decision in this regard is understood to have already been taken in principle. The step should go a long way in stimulating exports of simpler types of steel products in the production costs of which the cost of steel is an overwhelming component.

Following the pattern of the Rs 9 crores worth contracts secured by the Heavy Engineering Corporation for exports of its equipment to third countries which are being assisted by the Soviet Union, there are encouraging signs of similar contracts being entered into with Romania and Czechoslovakia. Both these countries have shown interest in this pattern of exports. Discussions in this regard have already been initiated. The Soviet Union also is exploring further the possibilities of such tripartite arrangements.

As already reported in this column, the EEPC has set before itself the targets of exporting engineering products worth about Rs 500 crores during the current financial year, and worth nearly Rs 650 crores in 1978-79.

* *

Along with the concerted drive launched to increase exports of engineering products, vigorous steps are being taken for the transfer and sale of technologies developed by our research institutions to the other countries interested in them. The Council of Scientific and Industrial

Research (CSIR) has recently finalised, in concert with the National Research and Development Corporation, a proposal for setting up in Burma pilot plants for the production of miltone, orange juice concentrate, sodium alginate, hardboards, strawboards, filter papers, manganese dioxide and calcium carbide. Several other proposals are also understood to be under consideration. These include the sale to Britain of the technology for the manufacture of PM^2 aluminium alloy conductors which can replace copper conductors. The United States has shown interest in the CSIR's technology for leather tanning.

The efforts of the CSIR to promote utilisation of its technologies has shown encouraging trends in the recent past. Several industries based on its know-how are currently being set up by scientists-entrepreneurs. These relate to the production of vacuum gauges and vacuum leak detectors, aluminium anodes for cathodic protection, titanium subtrate insoluble anodes, diosgenin, submerged arc welding machine and to the recovery of zinc.

significant contribution

The CSIR has made a number of significant contributions to indigenous technology during the last calendar year, particularly in the small and medium-scale industrial process and the technologies relating to rural development. Multi-disciplinary, multi-laboratory and multi-organisational projects concerning fibre composites, electronic materials, insecticides, pesticides, drug intermediates, medicinal and aromatic plants, grain storage bins and a few other projects have been accorded the highest priority.

Another significant step that has been taken recently by the CSIR is the establishing of effective linkages with state governments on the basis of systematic studies of their plan programmes with a view to identifying the major areas of thrust in industrial, economic and social development and the major technological gaps which can be filled up by the CSIR laboratories. Guidelines have been laid down for setting up regional centres, extension units and polytechnology clinics in areas where the need for such establishments is being felt. A polytechnology clinic at Hyderabad and a CSIR complex at Trivandrum have already been set up. There are proposals to establish polytechnology clinics in Bihar, Karnataka, Madhya Pradesh and Gujarat. These clinics will act as dignostic and direction centres to get at the solution of the problems posed by industry and will be important vehicles for CSIR's interaction with industries in the states.

The CSIR laboratories have been gaining the confidence of the industry which are now utilising their technologies in greater measure. During the last year, the country's first sponge iron plant with a capacity of 25,000/30,000 tonnes per annum, based on CSIR's technology, was inaugurated at Vijayawada. The electric grade aluminium alloy conductor (PM^2) also went into commercial production. The technology for the production of nitrile rubber, which has been commercialized by Synthetics and Chemicals Limited at Bareilly, is an outstanding example of not only utilisation of indigenous technology but also of successful cooperation between a CSIR laboratory and industry.

During 1975, 162 processes were released by the CSIR to industry. The total number of processes released to industry as at the end of 1975 stood at 925, of which 284 have been utilized for commercial production.

* *

The traffic trends of railways continue to be encouraging. The originating revenue earning freight traffic during July amounted to 17.01 million tonnes — an increase of 1.55 million tonnes over the tonnage lifted in this month last year. Compared to the proportionate this year's budget target, the above traffic was 1.01 million tonnes higher.

The cumulative total revenue earning tonnage lifted by railways during the four months to July was 67.86 million tonnes—7.00 million tonnes more than the corresponding figure for the previous year and 2.76 million tonnes more than the proportionate budget target for the period. There was increased movement under all the plan head-wise commodities except iron ore for export and fertilizers as compared to the corresponding period of last year.

The number of passengers booked during July was 271.48 millions — an increase of 41.20 millions compared to the traffic in this month last year. Both the suburban and non-suburban traffic registered an increase; the former went up by 14.4 per cent and the latter by 22.5 per cent.

The number of passengers booked between April and July totalled 1,070.08 millions — an increase of 177.85 millions over the last year's level of traffic. The increase in non-suburban traffic (21.0 per cent) was relatively more than the increase in the suburban traffic (19.0 per cent).

Eastern Economist 30 Years Ago

SEP. 6, 1946

In the history of every nation there occur a few turning points which by giving an altogether new direction to its course open a new chapter. One such turning point occurred early this week when after decades of struggle, travail and sacrifices some of the greatest patriots of the country found themselves in a position charged with the responsibility of governing the country and determining the welfare of the 400 million of its inhabitants. The transition from dependence to complete independence and freedom is not, of course, complete. A few more steps yet remain to be traversed. Nor, as Pandit Jawaharlal Nehru himself recognises, is the process or transformation from a fighting revolutionary and dynamic organisation into a practical administrative and construction machinery simple or easy. Nevertheless, the Interim government which took up the reins of power on September 2 represents the biggest and most momentous change since Plassey.

For the first time we have a government with an undivided loyalty to the people of this country and drawing its power and strength from its own people. They owe no allegiance to any external authority; and all their policies and actions will be governed only by the sole test of the welfare of the masses of the population. They will dare to do the right, irrespective of the difficulties and hurdles they may have to surmount; they will dare even to do the wrong, unless they can be convinced of its wrongness. They will legitimately claim not only to represent the people but to reflect their needs and interests.

Farm mechanization and labour use

Dr. R. C. Verma

The author who is assistant professor in the Department of Agricultural Economics in S.K.N. College of Agriculture, has studied a sample of 150 cultivators in the district of Jaipur (Rajasthan) and has come to the conclusion that at the present level of technology there is no danger of labour displacement due to mechanization of farm operations.

THE MAIN fear about farm mechanization in India and other countries which are under-developed and over-populated is the displacement of agricultural labour. However, this danger is of only limited magnitude so long as mechanization fills the genuine gap in energy requirement and availability. It has been estimated that power input in India is only 0.30 hp per hectare as compared with 4 hp per hectare in West Germany and 2.5 to 5 hp per hectare in Japan. According to the Panel on World Food Supply (President's Advisory Committee, USA) the minimum amount of power per hectare needed for developing countries should be within the range of 0.50 to 0.80 hp. Japan which is a highly mechanised country uses at least twice as many farm workers per hectare of crop land as India.

categorisation

The present study was taken up with the specific objective of studying the impact of farm mechanization on labour use. The study was conducted in 10 relatively highly mechanised villages of Jaipur district of Rajasthan. The cultivators of the selected villages were divided into three categories:

1. Mechanised — having tractor & pumping set.
2. Partially mechanised — having pumping set only.
3. Non-mechanised — Completely bullock operated.

Fifty cultivators were selected randomly from each category. Thus in all 150 cultivators were selected for the study.

Mechanisation increases agricultural production in two ways. First, by reducing current fallows (thus increasing the marketable surplus with the cultivator) and second, by increasing productivity as increased marketable surplus would give an opportunity to the cultivator to buy and use yield-increasing and yield-saving inputs such as improved seeds, fertilizers, insecticides, pesticides, etc.

Cropping intensity in the three categories of farms is given in Table I.

Cropping intensity in mechanized farms was significantly higher than in the non-mechanized farms, As compared to non-mechanized farms it was 40.05 per cent higher in mechanized farms, and 21.67 per cent more in partially mechanized farms.

These differences were due to many reasons. First, it was possible to prepare and sow larger area during the rainy season in mechanized farms than in the non-mechanized farms. Second, it was possible to put more area under rabi (winter season) crops in the mechanized farms than in the non-mechanized farms because of the capacity to irrigate more area per day by mechanically-driven pumping set that was possible with the bullock-operated *charsa* or persian wheel.

POINT
OF
VIEW

It was observed that mechanized farms used improved technology to a greater extent than the bullock-operated farms. Expenditure on physical inputs such as improved seeds, fertilizers, insecticides and pesticides was taken as the criterion to measure the level of technology used in a farm. Table II, gives the average expenditure incurred on the purchase of physical inputs by the cultivators of the three categories of farms.

Per farm as well as per hectare expenditure on seeds, manures, fertilizers and other chemicals was the highest in mechanized farms followed by partially mechanized and non-mechanized farms. The high amount of expenditure on seeds, manures and fertilizers on mechanized farms indicated that mechanization did not only make it possible for the farmers to put more area under crops but it also induced them to use yield-increasing and yield-protecting inputs such as improved seeds, fertilizers, pesticides, weedicides, etc in larger quantities.

the reasons

The greater use of higher level of technology on mechanized farms than non-mechanized farms was because of (1) better financial position of the mechanized farms which enabled them to purchase costly inputs; and (2) the higher intelligence level and broader outlook (and consequently the higher risk-bearing ability) of the cultivators of mechanized farms which induced them to put more area under higher-yielding varieties and cash crops.

Area under high-yielding varieties and cash crops in the three categories of farms is shown in Table III.

The proportion of total cropped area under high-yielding crops such as Mexican wheat and hybrid bajra and such cash crops as onion, garlic, *zeera*, *methi*, melons and chillies was significantly

TABLE I

Cropping Intensity on Mechanized and Non-mechanized Farms

Category of farms	Cropping intensity %
Mechanized	119.41
Partially mechanized	101.03
Non-mechanized	79.36

higher in mechanized farms as compared to non-mechanized farms. In non-mechanized farms, the area under these crops was only 9.47 per cent of the total cropped area, whereas in partially mechanized and mechanized farms, it was 17.07 per per cent and 22.80 per cent respectively.

Labour employed in all the three categories of farms is given in Table IV.

The total availability of family labour in the farm was calculated by multiplying the number of family members (man equivalents) with the number of days worked on the farm. The availability of family labour was more on non-mechanized farms than on mechanized farms. During the investigation it was found that only half the number of members of the family were working on mechanized farms as against two thirds in non-mechanized farms. Consequently, the availability of family labour per farm as well as per hectare was more on the non-mechanized farms than on the mechanized farms. In this way, farm mechanization induced the family worker to think, try and exploit better work opportunity available outside the farm.

seasonal pressure

On the mechanized farms where many farm operations have been mechanized, the pressure of seasonal operations increased cropping intensity and larger outputs compelled the use of quite a large number of hired workers. On partially mechanized and non-mechanized farms, family labour was found to be sufficient to do all the farm operations except in the peak season, specially during the period of October-November when the farmers have to cope up with the harvesting and threshing operations of kharif crops and field preparations and sowing of rabi crops, when a small number of workers were hired. Thus, a high degree of mechanization was found to increase the opportunities of labour employment on the farm.

The total labour employed per farm was the highest in mechanized farms followed by non-mechanized and partially mechanized farms. However. the labour use per hectare of cropped area declined substantially with increase in the intensity of mechanization. Thus, farm mechanization on the one hand, understandably too, reduced the labour requirement per hectare of cropped area and on the other, it increased the cropping intensity which in turn created more employment opportunities per farm.

The installation of only pumping set on a farm, as a token of mechanization, not only reduced labour requirement per farm but also per hectare of cropped area. This was simply because the amount of labour relieved from the irrigation operation due to installation of the pumping set was even more than the enhanced requirement of labour due to increased cropping intensity.

Thus, at the present level of technology there is no danger of labour displacement due to mechanization of the farm operations. Rather there are chances of increased employment on the farm as a whole.

TABLE II

Average Expenditure on Physical Inputs Per Farm and Per Hectare

(in rupees)

Category of farms	Total expenditure	Expenditure per hectare of cropped area
Mechanized	4779.95	280.18
Partially mechanized	3278.08	279.70
Non-mechanized	1654.25	191.47

TABLE III

Area under the High-yielding Varieties and Cash Crops

Category of farms	Total cropped area (hect)	Area under H.Y.V. & cash crops (hect)	Percentage of the total
Mechanized	17.06	3.89	22.80
Partially mechanized	11.72	2.00	17.07
Non-mechanized	8.65	0.82	9.47

TABLE IV

Labour Employed

(in man-days)

Category of farms	Family labour/ farm	Hired labour/ farm	Total Labour	
			Per farm	Per hect. of cropped area
Mechanized	975	868	1843	108
Partially mechanized	1315	74	1389	119
Non-mechanized	1361	107	1468	170

Need for employment-oriented growth

Virendra Agarwala

The author has reviewed the problem of growing unemployment in our country since 1950 and has suggested that more attention should be paid to vocationalisation and intermediate technology. He feels that through intermediate or appropriate technology the dual purpose of growth and employment generation can be achieved.

ONE OF INDIA'S major problems remains the growing unemployment. At the end of the last year nearly five million young men and women, half of them matriculates and about a million with graduate and post-graduates qualifications, were officially listed as job-seekers. Only a little more than 150,000 persons were able to find jobs during the year i.e. three out of every 100. Obviously, the availability of jobs is far outstripped by the growth in the demand for them. The situation among engineers was slightly different. There were fewer unemployed engineers at the end of 1975 than there were three years earlier. This was due less to any large-scale increase in the number of available jobs than to decline in the number of students seeking engineering courses when unemployment among engineers was widespread.

At the end of the first five-year Plan in 1956, the unemployed numbered 5.3 million. Their strenght rose to 7.1 million at the end of the second Plan period, 9.6 million at the end of the third Plan period, 13.2 million at the end of the three annual Plans and more than 14 million at the end of the fourth Plan period. These were only rough estimates made by the Planning Commission, the actual figure probably was much higher than that indicated by these estimates.

disguised unemployment

In the rural areas, there is an acute problem of disguised unemployment or under-employment. It is estimated that as much as 22.19 per cent of the rural work force has work to do for less than a full week in a month. A large section of the landless labour remains unemployed for a considerable part of the year. The marginal and small farmers do not have sufficient work to do throughout the year. The union Finance minister, Mr C. Subramaniam, has called for the creation of 75 million additional jobs in the rural areas though he has earmarked only Rs 15 crores for this purpose. The planners have not considered it appropriate even to mention about the magnitude or the pattern of unemployment and under-employment in the country during the fifth Plan period. There is no specific policy for promoting full employment although it should be obvious to the planners that there can be no meaningful development of the economy unless the problem of unemployment and under-employment is treated as the most vital element of planning.

balanced growth

Growth is a must, but we do not need lop-sided growth. What we need today is that kind of growth which creates a vast employment potential to absorb our growing population. It must be appreciated that a large unemployed population constitutes a parasitic burden on those engaged in production.

Policy-makers must try to influence the four major variables which determine employment growth, namely, the population growth rate and the participation rate on the supply side and the rate of investment and technical change on the demand side. There is no need to make any comment on the need to reduce the birth rate because this need is universally recognised. However we must note that there is a 15-year lag between a decline in the birth rate and the decline in the labour force entry rate. It is widely appreciated that the forecast of a 1,000 million population by the turn of the century has brought realisation of the imperative need for population control. This in turn has encouraged advocacy for compulsory sterilisation.

The population policy stipulates the raising of the age of marriage from 15 for girls and 18 for boys to 18 and 21 respectively, peg representation of states in the Lok Sabha and the devolution of central resources to them at the 1971 population level until 2001 AD, and earmark eight per cent of central assistance to state plans on the basis of performance in female education at least up to the middle level as well as to child nutrition.

lowering birth rate

The government's new policy is linked to a target of lowering the birth rate from 35 per 1,000 as at present to 25 per 1,000 by 1984. Given a further drop in the birth rate too, it is assumed that the net population growth rate will be lowered to 1.4 per cent by that date. It is not compulsion but the process of education which can go a long way to control the growth rate in population—an essential ingredient for evolving a full employment policy.

The role of education has remained a debatable point from time immemorial. The Education Commission had recommended vocationalisation of pre-university education more than a decade ago. It was felt that the student must choose his career according to his aptitude, the job opportunities available to him and the development needs of the society. The new system which after 10 years of high school would add two years vocational education is expected to meet these requirements. However actual implementation of the plan is not so easy. There are 43,000 high schools and over 10,000 higher secondary schools involving millions of students in the country who will be affected by this change. Vocationalisation of education will also require laboratories, workshops and trained teachers on a mass scale. After the availability of these has been ensured, vocations which have room for new entrants will have to be identified. It is believed that vocationalisation would reduce the number of educated unemployed. It is essential that before imparting, vocational training surveys are conducted to assess job opportunities in different fields of activities. The needs for restricting admission to colleges and universities is recognised by educational planners. The 10+2+3 system seeks to sort out the academic type from job seekers and to offer the latter a viable alternative to university education. The basic point of the new system is the plus 2 level. The success of the new system largely depends on whether it is able to canalise a vast majority of school learners into vocational course designed to prepare them for middle level and semi-skilled professional jobs.

Wardha system

Gandhiji had drawn up what is popularly known as the Wardha system of education. This was adopted by a few states as the basic education system at the primary level. The accent was on imparting instruction in the traditional or family crafts. The scheme was open to objection in the sense that it perpetuated a family trade or skill whether or not the young learner had the will or inclination to carry on his father's trade. The basic education system did not prove successful, not so much because of any inherent defect but because the system could not be sustained in the absence of enough devoted teachers. It also fell a victim to an unresponsive bureaucracy. Any educational system is only as good as the people who run it.

The 10+2+3 system ought to learn a lot from the operational and administrative experience of the basic educational system. The new system also calls for meaningful correlation between the education curricula and man-power needs of the economy Dr Zakir Husain pleaded hard for a fair trial of basic education but it could not produce any tangible result. He was not particular about charkha or family's craft. What he desired was that there should be some sort of vocationalisation of education with emphasis on an over-all development of the child's personality.

It is argued that university education is not meant for job-seekers. The Education minister, Professor Narul Hussan, told the All India University Conference held in New Delhi last year that it should not be the concern of the centres of learning and institutions of higher education to prepare students for the employment market. Higher education ought to develop in a student an over-all personality, the faculty for analytical thinking and a measure of self-confidence. But a survey in Maharashtra revealed that hardly two per cent of the unemployed graduates were willing to avail themselves of the facilities offered by the government-sponsored self-employment scheme. Among other things, this indicated a deplorable lack of self-confidence. The government has done little to apply its mind to the various aspects of the educational system required to be made available to the new generation. It has posed a serious problem to make the citizen of tomorrow fully self-reliant in acquiring a vocation for himself.

The maximisation of the investment rate must remain the most important ingredient of employment policy. It is true that we as a nation had to spend more than Rs 100,000 crores on planned development during the last 25 years. It has ensured an annual growth rate of 3.7 per cent but it has done very little to create employment potential for the new generation. In a poor developing economy, investment growth and employment potential are highly complementary but the crucial question is whether the investment rate has accelerated growth in such sectors as would maximise the employment opportunities at least for those who have acquired some technical knowhow. Unfortunately, the number of the unemployed has considerably increased as stated above after every five-year plan period.

Plan outlay has been stepped up by more then 31 per cent in 1976-77. But it is meant to be invested in such priority sectors which are not likely to raise significantly employment potential. Measures are needed to influence the rate and pattern of technological change so that employment growth does not lag behind investment growth as much as it has done in India so far. In a large number of sectors where there is no effective choice of techniques, the available technique has to be used.

It is widely appreciated that intermediate (or appropriate) technology

RECORDS AND STATISTICS

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can ensure prosperity to impoverished rural areas, it can increase the productivity of labour, improve incomes and spending power, stimulate local small industry and save scarce foreign exchange by replacing imports. It is rather unfortunate that in spite of these advantages, the intermediate technology has aroused hostility. Medium technology alone can be the effective answer for meeting the challange of growing unemployment not only in India but in the developing world as well.

Urbanisation in Rajasthan

K. R. Pichholiya

Analysing the data thrown up by population censuses, the author has drawn attention to the uneven distribution of urban population and has urged the government to take into account such problems as housing, availability of drinking water, sanitation, transportation etc. of urban centres while drawing up the development plans for the state.

RAJASTHAN USUALLY projects before our mind the picture of a backward state. But the development activities especially undertaken after Independence have in no way been less effective in Rajasthan, resulting in an increase in the number of city dwellers. This article examines the process of urbanisation and urban growth particularly during the 1961-1971 decade in Rajasthan.

In 1971 about 17.63 per cent of the total population of Rajasthan was urban, which was near to the national figure of about 19.8 per cent. A three-fold increase took place in the state's urban population between 1901 and 1971. The urban population increased from 1.55 million persons in 1901 to 4.55 million persons in 1971. Between 1921 and 1971 the rate of increase was four per cent per year as against 5.5 per cent for India's urban growth.

accelerated process

The urbanisation process has been accelerated in the state since 1931. One interesting fact about Rajasthan is that till 1951, the state had a higher urban ratio than the all-India figure. This does not however give the real picture of urbanisation trends in Rajasthan. The urban ratio remained almost constant during the first four decades of this century (1901-1941). The main reason behind this was that the real tempo of economic development in Rajasthan started only after the reorganisation of the state in 1956. Prior to this, most of the urban centres of Rajasthan were seats of feudal lords or chieftains especially meant for their administrative convenience, trade and commerce. During the post-independence period due to the large-scale migration from Pakistan, many of whom settled in urban centres of Rajasthan, the proportion of urban population to the total population in the state increased from 15.3 per cent in 1941 to 18.5 per cent in 1951. In 1961, however, due to the change in the definition of urban centres, under which 84 towns of the 1951 list were excluded in the 1961 list, the proportion of urban population declined to 16.3 per cent. It again went up to 17.63 per cent in 1971. Table 1 provides the details about the urban population of Rajasthan (1901-1971).

In 1961, the urban population formed 16.28 per cent of the total population, while in 1971, it formed 17.63 per cent of the total population. In terms of absolute population size, there was an increase of 1.26 million persons in the urban population of Rajasthan during 1961-1971. During the last seven decades 52 new towns have been added to the urban map of Rajasthan. It is of interest to note that the number of towns increased in each decade. During the period 1901-1941, the increase in the number of towns was insignificant as only 19 towns were added in the list of 1901. But in 1951, 20 new towns were added in the list. In 1961 due to change in definition of urban places 84 towns were excluded from 1961 list. Actual new places added in the list of towns were only three taking the total number of towns to 145. During the decade 1961-71 only six new places were added in the list taking total number of towns to 151 (excluding six urban places namely; (1) Ganganagar, (2) Buinasar, (3) Amber, (4) Sanganer, (5) Vidyavihar and (6) Man, which have been considered as a part of the urban agglomeration).

There has been an increase in the number of towns of all the categories (Table 2) except V and VI. The total number of V towns decreased from 51 to 38 in 1961

TABLE 1

Urban Population of Rajasthan : 1901-1971

Census year	Urban population	% of urban population to total population	Percentage decade variation
1901	15,50,656	15.06	
1911	14,75,829	13.44	— 4.83
1921	14,75,335	14.33	— 0.03
1931	17,29,205	14.72	+17.21
1941	21,17,101	15.27	+22.43
1951	29,55,275	18.50	+39.59
1961	32,81,478	16.28	+11.04
1971	45,43,761	17.63	+38.47

Source: Census of India, 1971 (Rajasthan), Part II, General Population Tables.

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to 1971 and VI towns decreased from nine to four during the same period.

The most outstanding feature of urbanisation in Rajasthan is that of a faster urbanisation in the larger cities than the smaller ones. In 1971 about 42 per cent of the total urban population of Rajasthan was living in seven major class I cities (Table 3). Class II towns were inhabited by about 11 per cent of the urban population in 1971, which showed a small increase over the 1961 Census. In the case of Class III towns where the number has increased about four time since 1901, the increase in the proportion of population has been only three per cent. Similar is the case with other classes of towns. The decline in the proportion of population living in lower order of towns is due to the fact that towns of higher class have grown at a much faster rate than the smaller ones (Table 4).

Alwar acquired the status of a Class I town for the first time in the 1971 Census. It is the smallest of the state's seven class I towns. Alwar was the capital of the erstwhile state of the same name.

large towns gain

Thus during 1961-71 larger towns steadily gained in population reflecting a tendency tawards larger urban agglomeration. In other words big cities and towns became bigger. The major reason for the growth of population in big cities and towns has been the large-scale migration from villages.

A study of urbanisation in Rajasthan during 1961-71 Census is incomplete without a reference to the rapidly growing towns. Sixteen towns recorded an increase of 50 per cent or more in their population during 1961-71 (Table 5).

Ramarkable progress took place in the Deoli town of Tonk district, the growth rate of this town during 1961-71 was, 133.2 per cent which is the highest among all the rapidly growing towns. Deoli town has become a big service centre in the region. Vidyavihar a urban agglomeration of Pilani recorded growth rate 100.87 per cent during the period 1961-71. High growth of Vidyavihar too is due to the development of educational activities of Pilani University. Bhilwara, Kota and Annupgarh developed rapidly due to their fast industrialisation, trade and commerce.

Having studied the pattern of urbanisation in the state, it is worthwhile to understand the regional distribution of urban centres. Towns are not evenly distributed on the map of Rajasthan. On an average there is one urban centre for an area of about 20,000 sq km as against one urban centre for 1,000 sq km area for the whole country. More than two thirds of the total towns of Rajasthan are concentrated in the eastern section, while western Rajasthan with more than 60 per cent of the state's total area has less number of towns, mostly located in the southern and northern portions where climatic conditions are relatively better.

Ajmer district is the most urbanised district where 37.6 per cent of the people live in urban centres. This is followed by Jaipur with 30 per cent. Some of the

TABLE 2

Number of Towns by Size in Rajasthan: 1901—1971

Size of Towns	Year							
	1901	1911	1921	1931	1941	1951	1961	1971
I 100,000	1	1	2	2	4	4	6	7
II 50,000-99,999	4	3	2	2	2	4	4	7
III 20,000-49,999	8	8	7	9	13	20	23	31
IV 10,000-19,999	25	24	20	26	28	37	52	64
V 5,000-9,999	47	48	54	55	58	61	51	38
VI 5,000 & Less	14	18	25	19	13	16	9	4
Total	99	102	110	113	118	142	145	151

Source: Census of India — Rajasthan Part II-A, General Population Tables, Page XXI.

TABLE 3

Class of Towns and Population: 1961—1971

Class of towns	1961		1971	
	No. of towns	Per cent of population	No. of towns	Per cent of population
I	6	37.84	7	41.87
II	4	7.35	7	10.75
III	23	20.34	31	20.47
IV	52	21.56	64	19.77
V	51	11.87	38	6.78
VI	9	1.04	4	0.36
Total	145	100	151	100

western districts such as Jodhpur, Bikaner and Churu show high proportion of urban population, but this is due to scanty habitation in these areas where the cities of reasonable size make the urban ratio higher. The backward and tribal regions of Barmer, Jalore, Dungarpur, Banswara and Jhalawar districts have only two small towns. One town has to serve an area of about 20,000 sq km. Barmer district is also deficient with one town for 15,000 sq km.

The position of Bikaner and Jodhpur also is not better. There is one town for an area of 7,500 sq km and 4,500 sq km repectively. Ganganagar district which has the maximum number of towns, has one town for an area of more than 1,700 sq km. In the tribal backward districts of Bhilwara, Udaipur and Banswara there is one town for more than 2,000 sq km area. Thus there is great diversity in the urbanisation pattern in different areas of the state. The analysis further reveals that spatial distribution of urban centres is associated with the level of economic development controlled by various physical, social and other factors operating in different parts of the state.

uneven distribution

The study of urbanisation in Rajasthan reveals that the distribution of urban centres in different parts of Rajasthan is uneven. And as the economic development in the state is still in the initial stages a proper strategy for future development programmes is urgently required since the state has heterogeneous character and a uniform urban development policy for the state as a whole is not possible. Thus for a balanced regional development it is necessary that the state is divided into various planning regions with some uniform characteristics. In the process of urbanisation, large cities will gain rapidly in population. This will give rise to a number of problems related to housing, availability of drinking water, sanitation, transportation etc. Therefore, it is high time government planned a proper urban development policy for the metropolitan cities, new towns, and satellite towns.

TABLE 4

Population of Class I Cities

City	1951	1961	1971	% increase	
				In 1961 over 1951	In 1971 over 1961
Ajmer	1,96,633	2,31,240	2,64,291	17.60	14.29
Alwar	57,868	72,707	1,00,378	25.63	38.06
Bikaner	1,17,113	1,50,634	1,88,518	28.62	25.15
Jaipur	2,91,130	4,03,444	6,15,258	38.58	52.50
Jodhpur	1,90,717	2,24,760	3,17,612	17.85	41.31
Kota	65,107	1,20,345	2,12,991	84.85	76.98
Udaipur	89,621	1,11,139	1,61,278	24.01	45.11

TABLE 5

Rapidly Growing Towns: 1961—1971

Class of town	Name of town	Population	Growth Rate (1961—1971)
	Jaipur	6,15,258	+ 52.50
	Kota	2,12,991	+ 76.98
II	Bhilwara	82,155	+ 88.87
III	Hanumangarh	30,017	+ 67.61
	Chitorgarh	25,917	+ 53.46
IV	Dungarpur	19,773	+ 55.02
	Jaisalmer	16,578	+ 98.25
	Suratgarh	14,491	+ 73.96
	Sangria	13,000	+ 60.26
	Deoli	12,299	+133.20
	Ramganjmondi	11,185	+ 64.36
	Bhawanimondi	11,036	+ 52.28
	Keshoraipatan	7,286	+ 55.98
	Vidyavihar	6,958	+100.87
VI	Kherli	4,798	+ 52.95
	Annupgarh	4,571	+ 99.26

Asian Statistical Institute

J. G. Miller

The 19th session of the United Nations Statistical Commission will be held in New Delhi from November 8 to 19 this year. Besides many other problems, the coordination of international statistics programmes will come up for discussion at this session. The part played by the Asian Statistical Institute, Tokyo, in training statisticians from various countries in this area for the last six years has indeed been very helpful in making correct appraisal of data collected by governments. The author who is both the director and the project manager of the institute has briefly outlined the ground so far covered. The largest number of participants came to the institute from Iran (53), followed by Indonesia (45), Sri Lanka (42) and Republic of Korea (41). Only 24 participants from our country have so far taken part in courses conducted by the institute

WINDOW ON THE WORLD

THE INSTITUTE was established to help improve the statistical services on which the governments of the developing countries of the ESCAP region rely for planning and for assessing economic and social development. Specifically, the institute's task is to train statisticians for leadership in the statistical services of their governments. The institute receives funds from the countries of the Asia and Pacific region, from the United Nations Development Programme and a large contribution in kind from the government of Japan. Generous assistance has also been provided by the government of the Netherlands and a number of other developed countries.

The institute was formally inaugurated in June 1970, when its first ten-month general course started. Since then until September 1975, 161 fellows underwent training in five general courses of ten-month period each, 89 fellows in five advanced courses/seminars of six-week period each, and 140 fellows in six country/sub-regional courses of varied durations. With the termination of the first phase of the project in September 1975, the institute entered its second phase of another five-year period and it is expected that a further 143 fellows will receive training in the first year.

The core of the training programmes of the institute in the second phase is represented by a six-month general course in statistics given every year to about thirty fellows who are selected mainly from government statisticians of developing member countries of ESCAP for award of fellowships by the Japanese government. A few additional fellowships might be awarded from other sources.

The institute also conducts annually advanced courses/seminars of four to eight weeks in specialised fields of statistics for senior statisticians who are nominated by the countries and selected for the award of fellowships by the institute. During the first phase, the following topics were covered in five advanced courses/seminars:

1. World economic censuses and related inquiries for the Second Development Decade, held in 1971;
2. Evaluation; analytical processing and use of population census data, held in 1972;
3. Role, planning and conduct of sample surveys with emphasis on error control and interpretation of results, conducted in 1973;
4. Role, function and methods of obtaining agricultural statistics with emphasis on an integrated programme of agricultural data collection in the developing countries of Asia and the Far East, held in 1974;
5. Statistics required for development planning in the ESCAP region, held in 1975;

Since the commencement of the second phase, the following advanced courses have been held:

6. National accounts, held in 1976; and
7. Planning, designing and organising of population census, also held in 1976.

country courses

Further, the institute holds "country" or "sub-regional" courses, which are given for the country or the group of countries requesting them, and which enable training to be imparted to some fifteen to twenty-five fellows of a country or a group of several countries at one time. In the first phase, country/sub-regional courses of this category were conducted as follows:

1. Sub-regional course concurrently on international trade statistics and on statistical methods, given in Fiji for countries of the South Pacific Commission, in 1972;
2. Country course on national accounts, given in the Republic of Korea in 1972;
3. Country course on national accounts, held in Iran in 1973;
4. Country course on basic aspects of general applied statistics, held in Afghanistan in 1974;
5. Country course on sample surveys

and statistical indicators, conducted in Sri Lanka in 1975;

6. Country course on national accounts, conducted in Indonesia in 1975;

In 1976, the following country courses are being conducted:

7. In Papua New Guinea, on descriptive statistics and statistical procedures;

8. In Nepal, on statistical indicators; and

9. In Afghanistan, on demographic and social statistics with special reference to population census.

As to the future programme of the institute, it must be said that the need for statistics and statistical training in the region is great and extended programmes seem to be called for. In 1977, it is planned to conduct the six-month general course and two advanced courses/seminars in Tokyo. Additionally, it is possible that as many as five country courses will be conducted and, if funds permit, one or two research fellowships will be offered for research into statistical problems of general regional interest.

ADB's role in Pakistan's economic development

Robert H. Byrnes

My Byrnes is Operations Manager in the Asian Development Bank (ADB), Manila, Philippines. Here he has given a detailed account of the various ADB loans which have stimulated the economic growth of Pakistan, particularly in power generation, industry and agriculture.

ON JUNE 29 this year the Asian Development Bank (ADB) board of directors approved a loan of $25 million to the Pakistan Industrial Credit and Investment Corporation Limited (PICIC). This brought the bank's approved loans to borrowers in the Islamic Republic of Pakistan to a total of $382.22 million for 25 loans covering in all 16 projects. It was also the fourth loan to PICIC.

third largest

Pakistan, the bank's third largest borrower, is a country of about 75 million people in an area of 803,943 square kilometres with approximately 93 persons per square kilometre. It is divided into four provinces: Punjab, Sind, Baluchistan and North West Frontier Province (NWFP).

Pakistan has a Gross National Product equivalent to about $140[1] per head. About 70 per cent of the people live in rural areas and 21 per cent of the population of the country is estimated to be literate.

Pakistan provides skilled manpower for its own needs and supplies varying amounts of skilled manpower to a number of other countries, particularly in west Asia. Largely an agricultural country, Pakistan's development has been concentrated on large irrigation projects based on the Indus river, producing most of the crops including wheat, rice and cotton. Industrial development is essentially processing agricultural products — cotton, rice, sugar and leather goods — but with a small number of industries based on natural gas. As a result of government decisions in 1972 and 1974, all major industries except the cotton textile industry, the largest in Pakistan, have been nationalised.

development plans

The fourth five-year plan (1970/71-1974/75) was abandoned following the events of 1971 and other economic developments. In the meantime, the government has been implementing annual plans since 1973/74, fixing the major objectives and the targets for each year. The annual development plan (ADP) for 1975/76 envisages a total public sector expenditures of PRs 13,700[2] million as compared to PRs 8,500 million in the previous year — an increase of 61.1 per cent. The ADP 1975/76 placed high priority on large increases in agricultural production, quick recovery in industrial production, removal of power and transportation shortages and exploration and exploitation of indigeneous sources of energy.

The government is now preparing a new development plan (1976/77-1980/81) which was scheduled to commence in July 1976. The background data suggest that the plan aims at a rather ambitious growth rate in GNP and, in particular, in the agricultural sector. The tentative plan envisages a total investment of PRs 135 billion, of which PRs 68 billion (50.4 per cent) is expected to be financed from foreign resources.

Bank operations in Pakistan started in 1968, when the bank extended a loan to the Industrial Development Bank of Pakistan. The bank has so far extended 25 loans aggregating $382.22 million for 16 projects (16 loans amounting to $260.17 million from ordinary capital resources and nine loans for a total amount of $122.05 million from special funds resources).

In addition, technical assistance for a total amount of $800,000 has been extended for five projects. Three of the technical assistance grants, amounting to $500,000 were for project preparation. As a result of the bank's technical assistance two projects have resulted in bank loans.

power sector

The largest portion (31.7 per cent) of the bank's financial assistance has been given to the power sector with a total amount of about $122 million, followed by industry (23.3 per cent), development banks (22.8 per cent), natural gas pipeline (13.9 per cent), water supply (5.7 per cent) and agriculture (2.6 per cent).

The development of energy resources

within the country is urgently required to overcome the energy shortage, and the banks assistance to the power and the gas pipeline sectors has been valuable in this regard.

The bank has so far financed two projects in Pakistan jointly with other multilateral and bilateral agencies. The foreign exchange cost of the Multan fertilizer project approved in December 1973 is being financed by the bank ($27 million) and IBRD ($35 million) while the Abu Dhabi National Oil Company provided equity. The bank extended loans totalling $50 million in December 1975 for the Mirpur Mathelo fertilizer project together with loans obtained from Saudi Arabian sources amounting to $80 million.

Two electricity supply utilities provide over 90 per cent of the industrial and commercial power needs of Pakistan: the Karachi Electric Supply Corporation, Ltd (KESC) is responsible for the power supply throughout its licensed area of 940 square miles which includes the city of Karachi and the immediate surrounding area, while the Water and Power Development Authority (WAPDA) provides power throughout the rest of Pakistan.

installed capacity

By March 1975, the total installed capacity in Pakistan was approximately 2,300 MW of which 340 MW was under the control of KESC, 125 MW under the control of Pakistan Atomic Energy Commission (PAEC) and feeding the KESC system, some 100 MW under the control of a number of private industries and the remainder in the WAPDA service area. The installed generating capacity in Pakistan amounted to approximately 2,582 MW in mid-1976.

Four loans totalling $34.5 million were approved in 1972 and 1973 for the KESC for a 125 MW steam generating unit, major transmission lines, substations and consultancy services. The civil works are in progress and the unit is expected to be commissioned in mid-1977.

Two loans totalling $16.7 million were approved in December 1973 for two hydro-turbine generators each of 100 MW at the Mangla dam together with the necessary extension of the power station and the installation of electrical equipment to connect the generating units to the WAPDA grid. These loans have been seriously affected by inflation of costs and the tenders for the turbine generators are being recalled.

Two loans totalling $47 million were approved in November 1974 for two hydro-turbine generators each of 175 MW at the Tarbela dam which is the world's largest earth-filled dam built by an international consortium organised by the World Bank. Substations and facilities to connect with the WAPDA grid are included. Tender placements have been prepared for this project and are expected to be issued shortly.

gas turbines

A loan of $22 million was approved in August 1975 for 100 MW of gas turbines urgently needed by KESC. Contracts were awarded in April 1976 and the gas turbines are expected to be in commercial operations in June 1977.

The Bank has also in 1973 provided $150,000 technical assistance to Pakistan for a system studies to assist WAPDA in assessing and improving its operations. In 1974, the Bank provided $200,000 in technical assistanee for KESC to make a study of generation and transmission facilities needed for Karachi.

The Bank has directly contributed to the industrial development of Pakistan mainly through two natural gas based fertilizer plants. Production of fertilizers in Pakistan started in 1958 and there are at present five fertilizer plants; four producing nitrogenous and one producing phosphatic fertilizers. Total annual installed capacity of these plants is 319,000 nutrient tons of nitrogenous fertilizers and 19,000 nutrient tons of phosphatic fertilizers. The actual production of these fertilizers in 1974/75 was 310,800 and 5,700 nutrient tons, respectively.

Local fertilizer production met roughly two-thirds of the country's requirements during the past five years. In 1974/75, Pakistan imported 133,100 nutrient tons of nitrogenons, 85,000 nutrient tons of phosphatic and 7,200 nutrient tons of potassic fertilizers, costing about $77.2 million. To promote fertilizer use, the government has been subsidising fertilizer prices to make fertilizers available at reasonable cost to farmers.

The two plants for which loans totalling $77 million were approved in 1973 and 1975 when completed will increase the nutrient tons of nitrogen produced in Pakistan by 149 per cent from 310,800 tons to 775,000 tons. The nutrient tons of phosphates will be increased from 19,000 tons to 89,000 tons or by 368 per cent. These plants were financed with the IBRD and the Abu Dhabi National Oil Company in one case and the kingdom of Saudi Arabia and the Saudi Fund for Development in the other.

The Bank has provided five loans totalling $87 million for "on lending" by Pakistan Development Bank. The medium and long-term financing requirements of the industial sector in Pakistan are met by three development finance institutions, i.e., PICIC, the Industrial Development Bank of Pakistan (IDBP) and the National Development Finance Corporation, (NDFC). PICIC and IDBP mainly finance private industries while NDFC extends credits to the industries in the public sector. IDBP and NDFC were established by the government of Pakistan and their capital shares are fully government-owned.

competive role

The previous distinction between IDBP and PICIC, the former serving the small to medium-scale industries with the latter catering for the needs of the medium to large-scale industries is now less clear-cut, due to the public sector involvement in large-scale industries and the increased financial requirements of medium-scale industries. There is an element of competition between the two institutions which is beneficial both to the institutions and to the industrial sector.

The Bank has so far extended three lines of credit totalling $50[3] million to IDBP including $25 million approved in December 1975. NDFC is a new institution established in January 1973. However, the role of NDFC has become important in view of the expanded activities of the public sector in Pakistan. These development finance institutions in Pakistan have been assisted by multilateral and bilateral aid-giving agencies including IBRD/IDA to meet their foreign exchange resource requirements.

PICIC has so far mobilised $390 million in foreign exchange excluding the amounts allocated to Bangladesh formerly East Pakistan), while IDBP has received $269 million from such sources. The Bank, during loan negotiations, obtained a settlement of the outstanding issues of IDBP and PICIC relating to assets of the institutions in the former East Pakistan.

The first three development loans to IDBP and PICIC were largely reloaned (63 per cent) to the cotton textile industry. Pakistan currently produces about four million bales of raw cotton yearly, out of which cotton spinning and textile mills in the country consume 2.8 million bales (70 per cent), with the balance being exported. Cotton processing, mainly operated in the private sector, is the largest industry in Pakistan and contributes significant foreign exchange earnings and employs nearly 50 per cent of the total industrial labour force.

Currently, there are some 150 large-scale textile mills in the country, with a total installed capacity of 30,000 looms and 3.3 million spindles. Of this total installed capacity, in January, 1976, the looms were operating at about 90 per cent and the spindles at about 80 per cent of their respective capacities. At present, the country's spinning production is in excess of the weaving and finishing capacities and surplus cotton yarn, estimated at 35-40 per cent of the total spinning production, is being exported.

increasing efficiency

Emphasis is to be placed on increasing efficiency and productivity in the industry. For this purpose, the establishment of integrated cotton textile mills covering spinning, weaving and finishing is presently preferred and encouraged by government. A number of public sector cotton textile projects are also under consideration. IBRD, in association with PICIC and IDBP, is proposing to undertake a study to identify the structure, problems and prospects of the cotton textile industry in Pakistan. The study is expected to be completed around mid-1977.

In 1974, the Bank provided two loans of $53.17 million for the Sui-Karachi gas pipeline project. Pakistan has substantial reserves of natural gas from three fields and about 10,000 MW of hydropower potential in the Indus river basin of which approximately 560 MW has thus far been installed. The resources of oil and coal known at present are limited although the Pakistan government has embarked on a sizeable programme of oil exploration. Fortytwo per cent of energy resources have been imported in the form of oil in recent years so that Pakistan has been adversely affected by the increased costs of energy since 1973.

The project which involves construction of a 305-mile long, 18-inch diameter pipeline along the right (west) bank of the Indus river, is the optimum solution to meet the projected demand for gas in concerned areas. The proposed pipeline will provide gas to the towns of Larkana, Dadu and Sehwan and other areas on the right bank of the Indus river, and will also allow gas to be collected from the recently discovered gas fields at Sari Sing and Hundi, about 40 miles from Karachi.

capacity doubled

This project will more than double the supply to Karachi, provided by a 16-inch diameter gas transmission pipeline from the Sui gas fields along a route mainly on the left (east) bank of the Indus river. This pipeline system transmits gas to the industrial areas of Hyderabad and Karachi and to industrial areas at Shikarpur, Sukkur, Rohri, Kairpur, Nawabshah, Shahdadpur and Tandoadam along the route of the pipeline. A total gas demand of 390 million cubic feet per day will be supplied in 1986-87.

The Bank in April 1976 made a loan of $22 million for water supply and severage project at Hyderabad, an industrial city of 700,000 people in Sind province which followed from a bank technical assistance in an amount up to $150,000 for project preparation, approved by the bank's board of directors on July 2, 1974. The technical assistance was awarded initially on a grant basis with the provision that should a loan be approved by the bank for the resulting project, the amount of technical assistance utilised in excess of $100,000 would then be incorporated in such a loan.

The rapid urbanisation of Pakistan has resulted in many economic and social problems in the cities, of which the provision of adequate water supply and sewerage facilities are among the most serious. In 1975, about 30 per cent of the total urban population had access to a piped water supply system of which about 12 per cent received water through individual house connections and the remaining 18 per cent from public standposts and water vendors.

quality of service

The quality of service is unsatisfactory in most cases due to overloading of the system, inadequate pressure and frequent service interruptions. Unaccounted for water loss ranges from 30 to 60 per cent depending on the age and condition of pipelines and water metres. Water quality generally is not acceptable due very often to secondary contamination originating from low pressure, intermittent service and lack of maintenance of pipelines. Contaminated water causes serious health hazards and a large number of the people in Pakistan suffer from water-borne or water related diseases mainly due to insanitary condition.

Owing to the lack of reliable data, it is not possible to give the exact number of illnesses and deaths caused by different diseases. However, according to information provided by the government, the most prevalent group of diseases in Pakistan are gastro-intestinal diseases which constitute nearly 20 per cent of all ailments. Of these diseases, 50 to 75 per cent are forms of dysentery and diarrhoea, both water-borne diseases.

A technical assistance project for the preparation of a water supply, sewerage and drainage project at Lyallpur in the Punjab province was approved at the same time as Hyderabad and is expected to result in consideration of a Bank loan in the latter part of 1976.

The main assistance to agriculture in Pakistan by the ADB is the large loans to two fertilizer plants as mentioned above. The bank has, however, also made two other loans : one through PICIC of $3.12 million for the construction of two modern rice mills and one through the Agricultural Development Bank of Pakistan of $6.73 million to supply fishing boat engines in

West Pakistan and cold stores and ice plants in East Pakistan. In 1972, the East Pakistan portion of the loan was cancelled.[4]

In the balance of 1976, it is likely that the Bank will lend to Pakistan for the development of Port Qasim near Karachi and water supply sewerage and drainage at Lyallpur in Punjab.

For 1977, further loans for electrical power generation at Karachi, development banks, transport, irrigation and an agricultural credit are under consideration.

The Bank is closely coordinating with multilateral, especially the World Bank group, and bilateral agencies in financing projects in Pakistan. The Aid-to-Pakistan Consortium, sponsored by the World Bank, has been playing an important role in extending assistance to Pakistan from such sources and the Bank is represented in its meetings.

references

1. In 1975, preliminary estimate by IBRD.
2. PRs 9.9=US$1.00
3. Reduced to $44.8 million by $5.2 million cancelled and reloaned to Bangladesh on account of disbursements made prior to 1972.
4. Renewed as loan to Bangladesh Fisheries Development Project.

Norway is satisfied with the 'Snake'

Knut Getz Wold

The author, who is Governor of the Bank of Norway, has spotlighted the high rates of saving and investment in the Norwegian economy which in turn have imparted stability to it and rather low level of unemployment. Commenting on monetary reform, he has endorsed the declining role of gold and the system of floating exchahge rates provided the leading countries pursue policies resulting in orderly economic growth.

AS IN other industrialised countries Norway's monetary policies are directed towards the attainment of a satisfactory rate of growth, high employment and price stability. Their operation has, of course, to be considered in conjunction with financial and incomes policies.

A few special features should be stressed at the outset. The relative importance attached to high—or rather full—employment, is greater in Norway than in nearly all other countries. Unemployment rates like those still prevailing in several other countries—e.g. five to six per cent—would be considered completely unacceptable by all political parties in Norway, whatever the cost of reducing them.

An extensive regional economic policy and stable interest rates on long-term mortgages and bonds are other features which play a relatively great role in the Norwegian policy stance. To some extent these factors complicate the operation of monetary policies in an economy strongly influenced by international developments. Exports of goods and services amount to about 45 per cent of Gross National Product (GNP).

During the years from 1960 to 1973 Norway's GNP per capita rose by an average rate of five per cent. Even more characteristic of Norway's economy than the high growth rate itself is its stability. In one of its recent studies the OECD drew attention to the fact that the variability of the percentage rate of change of GNP (as measured by standard deviation) has been among the lowest in the OECD both in absolute terms and when compared with average relationship between rate of change and variability in major countries.

The high and stable rate of growth has led to a remarkably low level of unemployment. With the exception of the winter months 1958-59 and again this winter scarcity of labour has been a dominant feature of Norway's economic scene. Even in February, this year, the rate of unemployment, including a high seasonal element, was only about 1.8 per cent,

The rates of investment and of savings in relation to GNP are higher than in most other industrialised countries. The average net investment rate during the first half of the 1970's was about 21 per cent and the net savings rate about 17 per cent of total disposable national income. A characteristic feature is the high rate of public savings which normally cover more than 60 per cent of total net savings.

The primary monetary policy target is to keep the total supply of credit within the limits set by the available resources in the economy. In the implementation of this policy, great attention is paid to the economic policy objectives outlined above.

liquidity reserve

A system of liquidity reserve requirements is the key instrument used in order to regulate the level of liquidity of the commercial and savings banks and, consequently, influence the level of their advances to industry and other borrowers. This measure is essentially one of short-term regulation of the supply of liquidity for counter-cyclical purposes or in order to even out erratic fluctuation, e.g. those caused by tax collection dates or foreign exchange interventions.

Since a change of the primary reserve requirements takes time, while it is primarily the big banks which at first are affected by the foreign exchange intervention, Norges Bank is at present considering the possibilities for introducing credit market certificates with variable interest rates in order to make more use of open-market operations as a policy instrument. In addition, the borrowing arrangement for banks in Norges Bank is under review.

The commercial and savings banks are under obligation to invest a certain percentage of their capital in government or other bonds, industrial debentures, etc. This measure is primarily an instrument of credit allocation, but obviously it has also important effects on the level of liquidity.

Further, issues in the capital market are controlled. This system has proved a useful instrument, e.g. in postponing investments from boom periods to subsequent periods of slack in the economy, such as the present one. A system of building permits has similar effects.

In addition to the commercial banks, a large number of savings banks play a relatively important role. These are mutual institutions and although most of them are small they serve a useful purpose in a country with such a scattered population and large distances as Norway.

Even more important, however, are the state banks. They provide long-term investment loans to housing (75 per cent of all houses are financed via the State Housing Bank), to agriculture, fishing, the municipalities, medium-sized and smaller industrial enterprises and to young people seeking higher education. The operations of the state banks have important counter-cyclical effects.

increase in lending

Of the total net increase of lending from the credit institutions last year 25 per cent was advanced by the commercial banks, 19 per cent by the savings banks and 36 per cent by the state banks. In addition, insurance companies, credit associations and private financial corporations also play an important role. The same applies to the bond and debenture market and to the share market.

Norway joined the European currency Snake in May, 1972, as, at that time, an applicant member of the EEC. After the negative outcome of the referendum on membership in September the same year, Norway remained in the Snake and applied to the EEC Committee of Central Bank Governors for their acceptance of this arrangement. No final reply had yet been given when the international currency crisis broke out in March, 1973. At that time Norway, like Sweden, was formally invited to join the Snake as an associate member. The basis of this status was, and still is, bilateral agreements between the Bank of Norway on the one hand and each of the central banks of the other Snake countries on the other.

Norway is well satisfied with the Snake. The further relaxation of the rules for foreign exchange intervention by the central banks has increased the flexibility of the system, particularly with a view to moderating the fluctuations against the dollar. The countries participating in the Snake or associated with it, now account for about half of Norway's foreign trade.

important sectors

Even so, that is not sufficient. The United Kingdom, Norway's biggest customer, is not a member of the Snake. And given the great significance of the dollar for important sectors of Norway's external economy, especially the shipping and oil sectors, the uncertainty surrounding the exchange rate for the dollar is a great problem. The rapprochement between France and the United States before new year led to closer cooperation between the Finance ministries and central banks of the Snake countries and of the United States with a view to more stable exchange rate relationships between the dollar and the European currencies. Japan and Canada, too, participate in this wider cooperation which represents a positive development. In this connection it should be noted that if the Snake had not already been established, such wider cooperation would not have been possible.

On this background, the departure of France from the Snake in March, this year, represented a most regrettable development. With France as an active member, the Snake had a sort of natural balance. Without it, the position of the West German mark easily becomes too dominant. The experience of the Snake countries so far seems to strengthen the arguments in favour of a closer monetary and economic cooperation between the participating countries. Norway would favour a development in this direction.

The Norwegian krone was revalued by five per cent in November, 1973. Subsequently, a further three per cent trade-weighted appreciation occurred during the year 1974.

The weakening of the dollar in the first half of last year led to an effective increase of almost four percentage points in the trade-weighted exchange rate for the Norwegian krone relative to other currencies. Because of the subsequent strengthening of the dollar, however, the effective exchance rate for the krone at the beginning of this year had declined to a level approximately that at the end of 1974, viz, some 11 per cent above the rates stipulated in the Smithsonian agreement of December 1971. The multilateral exchange rate model of the International Monetary Fund, which takes into account also the competitive relationships with "third countries" and elasticities affecting trade flows, shows a greater aprreciation of the krone, viz, a good 14 per cent since December 1971. During the first quarter of 1976 a further appreciation of over one per cent has occurred.

As the increase in the internal value of the krone is not correspondingly reflected in a more moderate price and cost behaviour than in other countries, the competitive position of Norway's industries towards the outside world has weakened. In the course of the last two years, unit costs in Norwegian industry, adjusted for exchange rate changes, have deteriorated by something like 13 per cent relative to the countries which compete with Norway in export markets and in the Norwegian domestic market.

the main concern

A main concern for the individual participants in the European currency arrangement must be to try and keep their domestic price and cost increase at approximately the same level as the other Snake countries. Some of the strongest currencies in the world belong to the group which is floating together in the Snake. West Germany is in a unique position with a price rise of less than six per cent. Most of the other countries have a price increase of between 10 and 12 per cent.

Last year the balance of payments deficit on current account was almost twice that in 1974 and amounted to $2.2 billion. This year, a somewhat higher deficit is foreseen. These are very high figures: last year the current account deficit equalled about eight per cent of the GNP.

Several factors contributed to this development. Investment in oil and oil-related activiities rose sharply. Imports of ships, most of which were ordered before the 1973 oil crisis, also increased. But, above all, the counter-cyclical boosted investments also in traditional industries as well as private and public consumption. Thus the shortfall of demand resulting from declining exports of goods and services was largely compensated. However, the unavoidable result was a sharp deterioration of the balance of payments.

borrowings abroad

The financing of the payments deficit has not caused problems. A large part is met by the oil companies' borrowings abroad to finance their investments in the North Sea. The shipowners can no longer borrow purely against first mortgages on ships, as previously, but many of the shipping companies have a good credit standing of their own. At present, public borrowing plays a far greater role than previously. Last year the Norwegian government returned to the international capital markets after an absence of ten years, partly to finance the state-owned oil corporation Statoil. Norwegian state banks, municipalities, and large industrial companies, too, have raised substantial loans. Foreign exchange reserves of $2.1 billion are at a comfortable level. The period of large current deficits is expected to last another two years. After that, oil and gas revenues should turn the account into growing surpluses.

Until very recently, both monetary and fiscal policies were oriented in an expansionary direction. An important objective has been to finance stock-building, particularly in the export industries, and a high level of investments.

However, the signs of growing strength of the international recovery indicate that the time has come to change the policy stance in a gradually less expansionary direction. As usual, the correct timing of policy measures is a very deficult thing. It so happens that the large foreign exchange interventions following the departure of the French franc from the currency Snake in the middle of March, to some extent forced the hand of the authorities. The high degree of liquidity in the system made possible extensive purchases of West German mark—expected to revalue—by banks, manufacturing industries and shipping. A total intervention during the week of March 15 of $250 million by the Bank of Norway reduced liquidity by a corresponding amount.

From a Narwegian point of view, and against the background of the prevailing international economic situation, the work on monetary reform under the aegis of the IMF, now in its final stages, represents useful steps forward. We would have preferred a larger quota increase in our own case than the one agreed upon from SDR 240 million SDR 295 million.

Pending the implementation of the quota increases, the credit tranches are to be increased by 45 per cent. That means greater credit facilities which will be of special significance to the developing countries and other countries having payments difficulties. The arrangements for the creation of a trust-fund to the benifit of developing countries, mostly financed by the sales of one-sixth of the Fund's gold holdings at public auction, is another useful measure in this field. The same opplies to the liberalised rules for the compensatory financing facility.

Norway is particularly pleased with the agement reached to abolish the official gold price, that members may no longer define their par values in terms of gold, and that the obligation to use gold in transactions with the Fund as well as the Fund's authority to accept gold in such transactions is to cease unless otherwise decided by the Fund with an 85 per cent majority which is not very likely. We share with Sweden the hope that the Jamaica agreements will lead to a reduction in the monetary role of gold.

At the request of the IMF, Norges Bank has extended two loans, each of SDR 50 million, to the Fund's oil facility.

The new guidelines on exchange rates are based on sound and positive economic principles. They recognise each member's obligation to pursue policies leading to orderly economic growth and reasonable price stability and to take fully into consideration the interest of other members in the operation of their exchange rate policies.

But don't let us fool ourselves. All these agreements represent useful steps forward. But nothing more. Only a gradually closer coordinationg of the economic policy objectives and a far-reaching harmonisation of the policy stance of the individual countries can form a durable basis for greater exchange rate stability, orderly exchange markets, and more rapid world economic growth.

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Manager

Airlines of the world-II

KLM turns the corner

S. P. Chopra

AFTER INCURRING losses for five years in succession till 1975-76, KLM Royal Dutch Airlines has entered in the current financial year a new era of efficiency and profitable operations. In the four-month period ending in July this year, it has recorded a rise of 13 per cent in freight, eight per cent increase in passengers and 19 per cent improvement in charter flights. The load factor consequently rose to 55.6 per cent as against 52.1 per cent in the corresponding period last year. All these positive indicators inflated the earnings of the airline leading to a net profit of DFl 20.8 million in the quarter April-June 1976.

An analysis of the causes leading to the losses of the preceding years showed that four major unfavourable influences had marred its financial results. First, the currency upheavals in the money markets of the world resulted in fluctuations in the parity values of the US dollar and the pound sterling (which are the basic currencies in the tariff system of the International Air Transport Association) which in turn reduced the earnings in terms of Dutch guilder. Second, the sharp increase in fuel prices since the last quarter of 1973 imposed an unbearable load on costs. Third, the severe recession which hit the economies of the industrialised countries in 1974 and 1975 caused a sharp decline in world trade and also stagnation in consumer's disposable income. Fourth, the rise in wages and prices all-round cut into the profitability of the airline.

KLM

But all these years, KLM was not a passive recipient of these economic buffets. With remarkable resilience, it fought the unfriendly tendencies with corrective action. The number of employees was reduced without in any way hurting the schedule of operations. Result: steady improvement in productivity. For instance, capacity per employee (thousands of ton-miles) improved from 125 in 1974-75 to 129 in 1975-76 and traffic per employee (thousands of ton-miles) rose from 68 in 1974-75 to 70 in 1975-76. Surely when the results for 1976-77 are made known some time next year, there will be significant improvement under both these heads.

The intrinsic strength of KLM equity shares is reflected in the sharp upturn in their prices in the New York stock exchange. Founded in October 1919, nearly six decades ago, the Dutch state is the main shareholder of this airline though it is a limited liability company whose shares can be acquired by any one. Says a brochure prepared by the publicity department of KLM: "Its function is to carry passengers, freight and mail by air and to make a profit thereby."

KLM

In an exclusive recent interview with the present writer, Mr R. Coles, General Manager for India, Nepal and Bangladesh, said that KLM ranked sixth in size among the leading airlines of the world. "Every airline," said Mr Coles, "gives a flavour of the country to which it belongs". Having said that, he seemed to have emotionally transferred himself to Holland and started talking of the Dutch flowers, the canals, the peculiarly Dutch traits of efficiency and worldwide business relations. He tried to emphasize that while all the airlines flew the same Boeing and Douglas DC aircrafts, it was the quality of service which distinguished one from the other. And KLM, he added, did its best to impress upon the clients that what it had to offer could not be had elsewhere. This included reliability, friendliness, high degree of adaptability and modern outlook. This was a way of life or inculcation of attitude by each KLMer.

With no-nonsense attitude to work and remarkable attention to detail, Mr Coles gave the impression of a man who knew his trade inside out. With twinking blue eyes and the face of a prosperous European businessman, he discussed the affairs of not only the KLM but many other competing airlines, and also some of the not-very healthy practices prevalent in carrier business. To the question if aging of the aircraft was a problem with KLM, he replied in the negative. The Boeings 747 B were bought mostly during the past five years. The heart of the matter remained the load factor which luckily was expected to rise this year to 56.0 per cent—the highest in recent years.

With a population of about 13.5 millions and area of 37,000 square kilometres, the Dutch economy has only six per cent population living on agriculture, forestry and fishing. About 35 per cent of the working force is engaged in industry. It follows that 60 per cent of its inhabitants are engaged in tertiary activities, trading being on the top of the list. And besides KLM, two other multinationals have earned worldwide renown — Philips and Lever Brothers.

KLM

Discussing charter business, Mr Coles said that charter operators have also contributed to aviation and tourism by increasing the number of travellers due to a general lowering of air tariffs. By only operating with a near-full occupacy, their operating costs are no doubt lower but their service is in no way inferior today. The charter flights in fact fully serve the purpose for which they are designed and suited. Some time, though not always, the charter operators do introduce cut-throat competition on which opinion in the trade circles is divided.

Commenting on KLM's association with our country, Mr Coles said that at the time the quota was last negotiated, he was not disappointed in view of the operational needs of Air India to the Netherlands. The authorities in India, he felt, were pretty generous and KLM always had a fair hearing.

What needs to be emphasised, he said, is that the Netherlands, in "air political terms", is a comparatively small country. It is sometimes not easy to convince other countries that the Netherlands can offer reciprocal opportunities. KLM had operated through Calcutta until 1971 when it switched to Delhi. And it is keen to extend its share of this market, he added.

* * *

Recalling KLM's association with this market, Mr Coles said that only recently they had celebrated the 50th anniversary of operations through India to the Far East. Consequently, KLM felt that it "belonged" to this region and that it could contribute a great deal in aviation terms.

* * *

And now KLM has started "orientation talks" with the People's Republic of China so as to extend its area of operations. The most populous country of the world, China has great possibilities of increasing trade and traffic in the coming years. While negotiations are currently on, there is an early possibility of extending KLM's activities in this area in line with others such as Pakistan International Airlines, Air France and Swissair.

For the busy executive, a non-stop flight is a great time-saver. Keeping in view the interests of the business community, KLM has also started non-stop flights on a few intercontinental routs connecting Amsterdam with Beirut, Casablanca and Teheran. Iran in the past three years has gone in for rapid economic expansion and it has understandably resulted in unprecedented increase in air traffic between Teheran and other business centres of Europe. So, KLM's decision to have non-stop flights has come as a boon to the traders who are always in a hurry.

* * *

It is not widely known that KLM has financial interest in several hotels. KLM did not "run" them. The organisation "Golden Tulip Hotels" is an associate group of 250 hotels in 180 cities of 40 countries. Many of the shareholders frown upon this activity which they think is one of the causes which has kept KLM in the red so far. But those who hold this view make the error of not fully grasping the impact of this service on those who use KLM flights. The computers of KLM assist in making reservations in these Golden Tulip hotels which in return has a healthy influence in raising the occupancy rates in KLM flights.

KLM at a Glance

	1975/76	1974/75	1973/74	1972/73	1971/72	1970/71
*Passenger/baggage – ton-miles	639	597	580	516	411	368
*Freight—ton-miles	415	416	360	325	292	263
*Mail—ton-miles	21	19	17	14	13	12
*Charter—ton-miles	114	134	176	145	137	115
***Total traffic—ton-miles**	1,189	1,166	1,133	1,000	853	758
Load factor	54.3%	54.9%	56.5%	53.4%	52.0%	53.5%
Break-even load factor	54.5%	56.9%	58.0%	55.2%	56.5%	51.3%
*Passenger miles	6,977	6,829	6,976	6,162	5,010	4,414
Passenger load factor	55.1%	54.7%	57.3%	55.3%	50.7%	52.8%
Number of passengers carried (in thousand)	3,467	3,655	3,810	3,498	3,130	2,942
*Weight of freight carried (in pounds)	367	370	378	344	285	281
*Weight of mail carried (in pounds)	15	14	12	11	10	10
Average distance flown (in miles):						
Passengers	2,010	1,870	1,830	1,760	1,600	1,520
Freight (per package)	2,510	2,450	2,150	2,090	2,250	2,030
Mail (per bag)	2,790	2,750	2,660	2,520	2,550	2,510
****Statement of earnings** (in million of US dollars)						
Total operating revenue	857	785	656	599	529	469
Total operating expenses	857	807	673	616	566	450
***Profit (P) or loss (L)	L 7	L 24	L 20	L 18	L 36	P 17
Staff as the end of the period Total	16,559	16,766	16,680	16,636	16,690	15,952

***In millions. **Note: Figures have been converted into US dollars at the rate of Dfl.2.70=US$1.00. ***Including other incidentals.**

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Journey to the Mint Road and Other Essays in Monetary Economics: U.S. Navani; Published by U. S. Navani, Bombay; Pp 155; Price Rs 30.

Petro-Dollars : V. P. Chitale and Mrs M. Roy; Economic and Scientific Research Foundation, New Delhi; Pp 110; Price Rs 30.

Europe and the World : The External Relations of the Common Market : Edited by Kenneth J. Twitchett; Europa Publications, London; Pp 210; Price £ 5.00.

Wage Structure and Labour Mobility in Local Labour Market : T. S. Papola and K. K. Subrahmanian; Sardar Patel Institute of Economic & Social Research, Ahmedabad; Pp 214; Price Rs 45.

Textile Industry and Modernisation : R. D. Mohota; Current Book House, Bombay; Pp 204; Price Rs 55.

Economics of Hedging : M. G. Pavaskar; Bombay Popular Prakashan; Pp 144; Price Rs 30.

Journey to the Mint Road and Other Essays in Monetary Economics is a collection of extremely fascinating and erudite articles written by U.S. Navani in various newspapers from time to time. Since the author spent more than 25 years of his career in the Reserve Bank of India in various capacities as the director of the division of banking, of monetary economics, of publications and as editor of the Reserve Bank of India bulletin, the articles in this book exhibit a fine combination of theoretical analysis and practical knowledge of banking and administration. This fact also makes the quality of these articles manifestly different from the articles written by pure academicians.

ideal governor

In the first article on 'What Makes an Ideal Governor' the author has analysed the problem of technical qualifications of the governors. Of the first eight governors of the Reserve Bank of India, according to the author, C.D. Deshmukh alone might be said to have some central banking experience. According to the author, it is necessary that the man to be appointed as governor of the Reserve Bank should have knowledge of currency and credit, both technical and practical, though it is not necessary that this knowledge should have been acquired in the Reserve Bank itself. But though the knowledge could be acquired from books and by study, the author rightly feels that "the theoretical knowledge should be buttressed by working in a commercial bank or a financial institution or a department dealing with government's economic policy or budgetary operations."

The author rightly thinks that "No matter how a person may have shone in other spheres such as administration or diplomacy, the knowledge and experience in the field of monetary economics are essential to make success of this eminently technical job." The author has also warned that if a governor does not have the courage of his convictions and courage to stand up to political authority or internal intrigue and manipulation, he is not likely to do justice to this public trust reposed in a person holding this high office. According to the author, "Civil servants, who, in their formative years grew up in 'law and order' mentality would normally find it difficult to adjust to the demands of a developing economy."

BOOKS BRIEFLY

In an article on "Powers of Reserve Bank vis-a-vis Government", the author has discussed the government's deficit financing and whether there is nothing that the Reserve Bank can do in the matter. According to him, the Reserve Bank has considerable powers in this regard. There is an implied constitutional responsibility placed on the Reserve Bank not to exceed the credit to the government by way of issue of treasury bills beyond the limit placed in the central budget passed by Parliament each year. This limit corresponds to the deficit envisaged in the budget and approved by Parliament.

recourse to RBI

According to the author, each year the actual deficit has been larger than contemplated in the budget and the recourse to the Reserve Bank to finance the additional deficit without parliamentary authority appears to be improper "as it is tantamount to flouting the will of Parliament as expressed in the passing of the Finance Act." The governor will be therefore within his rights to refuse to provide to the government beyond the budget limit approved by Parliament. Even within the Reserve Bank of India Act, this much independence of the governor is provided for. Unfortunately will to exercise that power is lacking.

There is an excellent article on "Methodology of Money Supply Reconsidered". According to the author, since the Reserve Bank has been veering round to a wider definition of money supply (namely monetary resources which include time deposits at commercial and cooperative banks in addition to currency and demand deposits), it would seem appropriate "to redefine the methodology of money supply to take account of this wider concept." From the point of view of monetary control, the narrow definition of money supply which includes currency in circulation and only demand deposits is not useful. "Monetary policy is no doubt more effective in controlling credit creation by banks as reflected in demand deposits, but the policy can be circumvented by the use of time deposits for current transactions." Time deposits have been increasing more rapidly than current deposits since World War II. They now form about 60 per cent of total deposits as against 30 per cent at the close of World War II. From the surveys of debits to deposit accounts with banks, conducted by the Reserve Bank from time to time, it appears that "the rate of turnover of time deposits has been increasing." And, therefore, it would be logical that a proportion of time deposits worked on the basis of the turnover ratios of current and fixed deposits should be included in demand deposits in computing money supply." The author is right in maintaining that "A definition of money supply which ignores these developments may not be a very useful tool of analysis."

lack of awareness

The author has warned that the contention of the Reserve Bank that "time deposits are created in a way different from the manner governing demand deposits betrays a woeful lack of awareness of the monetary creation process." The author has made a very convincing plea for the inclusion of time deposits in the concept of money supply in order to make monetary policy effective. "To place the concept of money supply on the restricted base of demand deposits plus cash, would be like going to a war with a country only on a limited information of the size of its armed men in active service, without counting the trained men who can be pressed into active service at short notice. The result can be disastrous." It is only by broadening the definition of money supply by including time deposits that it would become possible to explain the inflationary process in the country in a satisfactory manner. Proper definition of money supply is a precondition for satisfactory explanatory process and evolution and execution of proper monetary policy to contain inflation in the economy.

Writing on "The Rupee and the Sterling Link", the author has made a powerful plea for delinking the rupee from pound sterling and allow it to float—a step which the government has already taken without adverse effects. The ultimate justification, according to the author, for floating the Indian rupee is not that the rupee will depreciate or appreciate, but that the rupee so long tied to pound sterling may at last find its true level as near to equilibrium as possible. The author feels confident that over a period of a year of two, we may discover a viable rate of the rupee and one that can be sustained over a fair length of time.

role of research

Writing on "Role of Research in Commercial Banks", the author has indicated three distinct fields of research: (i) the field of overall policy, (ii) the field of operational efficiency, and (iii) the field of management research (closely related to it being the question of publication of studies, statistics, etc.) Research in these matters has become vitally essential, especially after the nationalisation of the 14 major commercial banks in the country. Research on various aspects of commercial banking in the private as well as the public sectors is as yet a much neglected field awaiting serious attention of researchers in the country.

The two articles on selective credit controls make excellent reading and would be found very instructive by students of monetary economics and banking. The author has described their working in the USA, France, the UK, Australia and India. Examining the operation of selective credit controls in India, the author has concluded that the experiment of selective credit controls so far in India has been largely confined to restrictions on credit against certain commodities rather than to a positive canalization of credit in particular directions. By and large in coming years, according to the author, "the policy would have to be more flexible and the controls may have to be devised so as to encourage the flow of funds into desired sectors. From the largely negative role exercised so far, emphasis might very well shift to the positive role of selective credit controls."

This book of fascinating essays would make excellent supplementary reading for students of monetary economics.

PETRO-DOLLARS

The decision of the oil-exporting countries to quadruple oil prices and if necessary to cut off supplies rocked the economies of both industrially developed countries and developing countries. Most of the industrialised countries found that they were threatened with the danger of their industries coming to a grinding halt due to lack of energy supplies. Even if adequate supplies were continued, manufacturing costs on account of increased price of oil would rise steeply with almost unpredictable consequences. As regards the developing countries, the mounting cost of energy would certainly prove a drag on their economic development. Measures taken by the oil producing and exporting countries (OPEC) to render aid to developing countries would only be of the nature of palliatives.

An important consequence of the steep rise in oil prices is "the rapid and continuing accumulation of trading surpluses at the disposal of a few oil-exporting countries."

The authors V.P. Chitale and Mrs M. Roy have examined in *Petro-Dollars* three fundamental issues which are of interest to developing countries like India: (i) appraisal of the accumulation and disposal of oil money with the OPEC over the next decade in the light of recent trends in energy markets, (ii) examination of the possibilities of recycling petro-dollars for the development of the world economy and for the stability of the international monetary system, and (iii) evaluation of India's opportunities in export trade, investment and aid potential of OPEC region as a result of the oil bonanza.

According to authoritative sources, due to a steep rise in oil prices, the world demand for oil declined from 48 million barrels per day (MBPD) in 1973 to 46.5 MBPD in 1974, while OPEC exports declined only marginally from 29.92 MBPD to 29.17 MBPD over the same period. However, the world oil consumption is expected to increase from 46.5 MBPD in 1973 to 56.2 MBPD by 1980 and to 62 MBPD by 1985. But bec use of intensified search for oil as well as efforts to develop alternative sources of energy on the part of oil importing countries, OPEC's share of oil consumption might go down from its pre-1973 share of 60-62 per cent to about 56 per cent by 1980 and to about 53 per cent by 1985. And yet the OPEC oil revenues are expected to amount to 650 billion dollars during the period 1975-81 and to 541 billion dollars during 1981-85, at current prices. According to the same authoritative sources, the OPEC would earn about 108 billion dollars per year over the next decade as compared to 14 billion dollars in 1972, 23 billion dollars in 1973 and 89 billion dollars in 1974.

Since most of the oil-exporting countries do not import goods and services commensurate with their export earnings, the problems of surplus petro-dollars have arisen and have assumed alarming proportions. Leading industrialised countries of the west have been exploring several avenues for mopping up these surpluses notably by inducting sophisticated arms and by supplying services of technicians to train Arab forces to operate the equipment and by selling machinery, plant and technical know-how and personnel for producing certain capital and consumer goods in the countries concerned.

advantageous position

According to the authors, India is geographically well-placed to take advantage of the developing markets of oil-exporting countries. India has enough trained manpower who can be deployed in oil-exporting countries to carry out a variety of tasks. The authors however are of the opinion that India so far has not made concerted efforts to fully exploit these remunerative markets.

It will be seen that oil surpluses will accrue mostly to a few countries—Saudi Arabia, Kuwait, Abu Dhabi and Qatar which are still ill-equipped economically to take immediate advantage of the new wealth. Developed countries may overcome the oil payment crisis by devising various recycling plans backed by their credit-worthiness, strong institutional framework and sound industrial base. Non-oil producing developing countries are in deep trouble because of their inability to tap floating oil money. For example, the combined bill of oil importing less developed countries would be around 10 billion dollars by 1974. Against this their total exports may amount to 34 billion dollars in 1974. This means oil imports would use up roughly 30 per cent of the total export earnings of this group of countries. Particularly hard hit by oil crisis are India, Pakistan, Sri Lanka, Bangla Desh and Uruguay which have virtually no reserves of currency and gold and insufficient credit ratings to tap private international markets for funds.

important question

The most important question is how developing countries like India are going to get through the next five or ten years with the mounting balance of payments deficits. How will this balance of payments deficits on account of oil be filled?

The authors have made a number of suggestions in this regard. According to them, the Middle East region offers tremendous scope for setting up joint ventures in petro-chemicals and related areas and also in a whole spectrum, ranging from infrastructure development ports, ship repair facilities, tanker fleets, pipelines, sewers, road transport, etc - to specific industries such as fertilisers, cement, food-processing and consumer goods of all types.

According to the authors, though India has taken rather late and half-hearted measures to establish new contacts and explore the possibilities of industrial ventures, she has missed many opportunities. India has also to compete with international giants in establishing industrial ventures in sophisticated areas of technology like petroleum-refining, petrochemicals, fertilisers, aluminium, etc. The authors are of the opinion that "it is unlikely that India will emerge as a strong competitor in the realm of providing technology and know-how of a sophisticated nature." But according to them, "India possesses the competitive competence to make a bid for joint ventures in conventional technologies." For example, there is vast scope for civil engineering. Since scope for aid from the oil-exporting countries is limited because of religious, regional pulls, India can hope for only limited access to the OPEC's petro-aid programme. This means India will have to think in terms of pushing up exports of capital and consumer goods of all types to this region as also in terms of joint ventures involving intermediate technology.

India now appears to have realised the possibilities of exploiting the markets in the Middle East region. India's exports to the Middle East countries have moved up from 236.52 million dollars in 1971 to 824.65 million dollars in 1974. But India's imports from the same region have also moved up during the same period from 375.01 million dollars to 4270.32 million dollars. Since the declaration of emergency, the issue of balance of payments deficits with the oil-exporting countries is being tackled with increasing success by establishing joint projects in the region. There is yet vast scope and if concerted efforts are made in this field and also in the field of oil-exploration within the country, India should successfully come through the oil crisis. The authors have done well to present an analytical picture of the oil crisis that shook the world during the early 1970s and continues to do so even today.

COMMON MARKET AND THE WORLD

Essays in *Europe and the World—The External Relations of the Common Market* bring out the growing economic and political influence of the European Economic Community (EEC) in world affairs. The six contributors, all of them leading authorities on international relations, have examined the relations of the European Economic Community with three major areas—the United States, the developing countries of Africa, Asia and the Middle East, and the state trading countries. The book also takes into account such recent developments as Lome Convention linking forty six less developed countries with the EEC. The contributors have also discussed the ways in which the EEC might extend areas of cooperation among themselves with a view to making the political influence of the EEC commensurate with its economic strength.

The European Economic Community is now an established fact on the international scene. The EEC was established "to end the centuries of conflict in Europe which culminated in two world wars, to remove the economic frontiers dividing western Europe into small protected markets, to promote the economic and social well-being of the peoples of its member states, to regain some of the influence in world affairs which the states of western Europe can no longer command alone, and to further world peace and international order generally. "The EEC's policies have important international consequences which affect the interests and prosperity of non-member states throughout the world.

no super-state

The EEC is not a 'super-state'; and yet it is much more than just another international organisation. Under international law, the EEC has a separate legal existence from that of member-states and has been endowed with treaty-making powers and the right to receive and send diplomatic envoys. Its own court of justice hands down rulings on matters pertaining to the EEC and these are binding on the national governments, business organisations and individuals within the EEC. "There is an embryonic but developing Community legal system in which EEC law can override natonal laws, and a number of Community decisions apply directly in the Nine without having to be embodied in national legislation." The higher officials of the EEC are forbidden to accept or to seek instructions from their national governments. It is also proposed that from 1976 onwards all the operations of the EEC are to be financed directly from its own financial resources.

The EEC has its unique nature which gives it the characteristics of a civilian power without however any military dimension. The EEC is nevertheless able to exercise influence on other states and regional and global organisations through diplomatic, economic and legal factors.

It is noted that "the EEC's response to the external demands made on it has been regional rather than global one" The Community is itself organised to deal with three major problem areas : the industrial world including the USA, Japan and the old white Commonwealth; the developing countries of Africa, Latin America and the Middle East; and the state trading countries. In terms of its trade with them, the first group accounted for 54 per cent, the second 38 per cent and the third just eight per cent, in the year 1975.

The EEC's relations with all the three groups of countries are examined by different authors in this book.

K J. Twitchett has analysed the international activities of the EEC and his overall conclusion is that "there are numerous pressures on the Nine for collective international action, but that so far when acting together they have done so on a rather haphazard basis In effect, in external relations the EEC does not exercise political influence commensurate with its collective economic strength."

Roger Morgan and John Pinder have examined the EEC's relations with the two super-powers. Morgan has surveyed the development of the United States' relations with western Europe since 1945, laying particular emphasis on the American role in encouraging European unity through the Marshall Plan and the Organisation of European Economic Cooperation. He has also analysed the links between economic, political and military issues. John Pinder has pointed out that "the middle and small states of western Europe have a common interest in trying to exert a collective influence on the Soviet Union, a state which is superior to them in terms of military power." According to the author, though for ideological and political reasons, the Soviet Union has sought to impede west European cooperation, it may wish to negotiate with the EEC through Comecon, thus helping to preserve and even increase its own control over eastern Europe. According to the author, China on the other hand welcomes the increasing strength of the EEC as an international counterweight to the two super powers. The author is of the opinion that so far the EEC has made little use of its potential for common action in relation with the state trading countries. He has also suggested various ways in which this potential can be effectively utilised.

Avi Shlaim has analysed the EEC's relations with the countries of the Mediterranean basin (namely Greece, Turkey, Lebanon, Isreal, Egypt, Algeria, Tunisia, Morocco and Spain). The author has argued against any attempt to build up the Mediterranean as an exclusive EEC sphere of influence. The EEC, according to the author, has made "only a very limited contribution to the economic

Health education

As part of its health education programme initiated sometime ago, the Organisation of Pharmaceutical Producers of India (OPPI), Bombay, the premier association of the pharmaceutical industry in the country, has brought out a health education booklet "Facts You Should Know About Common Diseases". The booklet presents in the form of questions and answers facts one should know about common diseases, their symptoms, precautions to be taken, prevention, etc. It is based on interviews with eminent doctors. The interviews were earlier broadcast by All India Radio as a sponsored programme "OPPI Medical Hour"-

The 49 diseases covered in the booklet fall into seven categories and include infectious and parasitic diseases, diseases of the digestive system, nutritional and metabolic diseases and children's diseases.

In a 'Foreword' to the booklet, Dr V. Ramalingaswami, Director, All-India Institute of Medical Sciences, New Delhi says:

"Here is a valuable collection of practical information on health problems that people think and worry about, in the form of questions and answers, in simple easily readable style, unencumbered by lengthy 'pseudo-scholarly statements' and confusing exhibition of 'facts and figures'. The range of topics covered is vast and yet representative of people's anxiety in health, from piles to contraceptive pills, from goitre to gout. The slant is on prevention throughout".

The booklet is being distributed by the OPPI at a nominal price as a public service; its address, Cook's Building, Dr Dadabhoy Naoroji Road, Bombay-400001 development of the countries of the region and in some instances has hampered development." In his opinion, the EEC's policies "have had detrimental effect for the third countries and undermine GATT.." He has advocated that unsystematic approach of the EEC to date should be replaced by a coherent EEC trade and development strategy for the Mediterranean region.

The EEC is possibly the largest and most rapidly expanding market for the exports of developing countries, some of which are linked to the EEC by association arrangements or trade agreements. Carol Cosgrove and Twitchett have shown how the EEC's relations with the third world have evolved from ties with the existing and former colonies of the Six to the point where there are now some signs of the emergence of the EEC's development policy on a global scale for less developed countries. The authors have also examined the EEC's general system of preferences for less developed countries, its various types of trade agreements with the developing world, the EEC's financial and technical cooperation programme and food aid. The authors believe that "much more could and should be done to construct a more coherent Community policy for all LDCs; the absence of which is only one of many symptoms of the lack of political will on the part of Nine to work together."

mutual interest

F.S. Northedge in the last essay in this book has pointed out that the referendum in Great Britain in June 1975 in which the British people voted for Great Britain's continued Common Market membership and its approval by the leaders of the white Commonwealth—Australia, Canada and New Zealand—was in fact in the interest of the Commonwealth as well as Great Britain. The author's overall conclusion, after analysing the British policy, is that Britain's international interests are best preserved by its EEC membership. "It no longer has the required diplomatic, economic and political strength to project them on its own, and Community membership is by far the most viable international option open to it." The author hopes that Britain's membership of new Europe will promote a rejuvenated Britain, both domestically and internationally.

The excellent book containing essays written by persons of authority in specific fields provides a fairly detailed and comprehensive picture of the working of the European Economic Community. It is an extremely valuable study for those students who are interested in the economic aspects of international relations.

LABOUR MOBILITY

T.S. Papola and K.K. Subrahmanian have attempted in *Wage Structure and Labour Mobility in a Local Labour Market*: (i) an analysis of wage structure in Ahmedabad industrial area; (ii) measurement and analysis of labour mobility in the local labour market; (iii) a portrayal of the operation of the Ahmedabad labour market; and (iv) an examination of the effectiveness of labour market mechanism.

It would be instructive to know the findings of this study regarding demand and supply patterns, wage structure, labour mobility and labour marketing processes in Ahmedabad industrial area.

Ahmedabad is predominantly a textile centre. The cotton textile industry employs around 75 per cent of workers in the organised factory sector. Most of the cotton textile units are of large size. The units in other industries are small sized. The newly emerging industries like basic metal, metal products and machinery are dominated by small sized units. The new industries operating on the basis of small sizes have grown at a fast rate only in recent years. Textiles have virtually stagnated over a decade or so. This has resulted in structural changes in the city's industrial sector. The incremental output and employment have mainly been accounted for by 'modern' industries.

According to the authors, the changes in industrial structure have both quantitative and qualitative impact on the labour market in Ahmedabad. "Quantitatively, in spite of a fast increase in employment in industries like machinery and metal products, the size of the incremental demand for labour did not look large in view of the base being heavily dominated by an industry (cotton textile) which did not provide any significant increase in employment opportunities during the period. But qualitatively, the demand pattern has changed. The new industries which claimed a major part of the incremental demand for labour required skill structure in their workforce substantially different from textiles and other traditional industries. The labour in Ahmedabad, has reacted to the emerging strains by machanisms internal to it. Some flow of labour force has taken place within different industries and not from outside. The required skills were provided mainly by in-plant trading to an increased extent. The market mechanism also relied upon widening wage differential. The result has been a fairly high degree of mobility among workers in these occupations.

The existence of wage-differentials among units, industries and occupations is a rule rather than an exception in any labour market. In a local labour market such as that of Ahmedabad, wage differentials are expected to be 'pure' reflecting the labour market situation in the short run, but representing the differentials on account of skills and skill structure of workforce alone in the long run.

large deviation

The authors found that the extent of deviation among wage rates of occupations is generally very high: around 50 per cent in machinery: 35-40 per cent in textiles, metal products and transport equipment. The inter-industry deviation in average wage rates is 25 per cent; but it is found to be much lower in the case of the same occupation. The authors also observed empirically the size-wise differentials are a more or less universal phenomenon. A large sized unit pays a high wage rate, many a time on account of a non-economic motivation of maintaining its status among the family of units.

The authors found that even in competitive and well integrated industrial labour market, wage rates do not completely get equalised; and inter-plant differentials continue to exist in the same industry. The reason probably is to be found in the highly standardised character of the wage structure in the industry where "the occupational wage rates are fixed under an industry level bilateral agreements and differences among plants arise merely on account of the different composition of the workforce of plants in terms of their period of service."

The authors also found that generally unskilled and semi-skilled occupations have a greater tendency to command similar wage rates among units and industries than the skilled ones. Thus according to the authors, "the rankings and extent of deviation among occupational wage rates are generally based on skills; and the extent of wage deviation is also responsive to market situation to a certain extent."

As regards labour mobility, the authors observed that the overall extent of mobility of labour in Ahmedabad industrial area is comparatively low. Forty per cent workers never changed a job and ordinarily a job change is effected on an average in eight years. Among occupations, coolies and compositors have highest mobility rates involving one job change every $3\frac{1}{2}$ years, followed by clerks, supervisors, turners, fitters, electricians and moulders. Specific textile occupations showed a very low extent of mobility.

correlated matters

It is also found that the workers' educational levels and their mobility are highly correlated. This means education seems to be one of the factors which tend to make a worker more capable and willing to make job changes. It was however noticed that mobility did not bring any substantial advantages in wages to workers, a mobile worker getting only around 20 per cent higher earnings than an immobile one in the same occupation. According to the authors, therefore "the conclusion regarding mobility looks unpalatable: mobility is not necessarily advantageous...the proverbial immobility of the Indian worker is a perfectly rational phenomenon."

The authors have some very harsh things to say about recuitment procedures in Ahmedabad industrial area. They found predominance of informal agencies in the case of recruitment. Jobs are generally secured through other workers already employed, or through blood relationship, or on account of consideration of caste. This phenomenon is akin to the 'close-shop' unionism and in fact is wrose than that as it does not have a formalised and explicit character. The authors have therefore found fault with the recruitment procedures which are primitive, family, caste and native place playing a predominant role in securing jobs. "The institutional instruments like employment exchanges have dismally failed in instilling an element of fairness and competition in the dissemination of information as well as in the matter of recruitment."

labour market

As regards the performance of the labour market, the Ahmedabad labour market appears to have operated effectively in matters of allocating and pricing of labour. Shortage of some type of skilled labour was immediately reflected in wage differentials, facilitating the movement of labour in the desired direction.

As regards the implications for labour policy, though Ahmedabad labour market has been working effectively in its functions of allocating and pricing of labour, "it does not necessarily mean that these functions could best be left to market mechanism." In fact, according to the authors, the textile case demonstrates that institutional intervention in the labour market could prove equally efficient with the added advantage of avoiding wastes involved in 'trial and error' process of the market. The authors are also of the opinion that "industry-wise arrangements for standardization of wage rates in other industries as well, particularly in engineering group industries, are highly desirable to avoid the 'wage war' among employers and unnecessary movements on the part of workers." The authors have also advocated "an element of openness to the process of recruitment." Employment exchanges would be the best solution to the problem of recruitment. The authors favour even compulsory registration of all unfilled jobs and no recruitment from outside the registrants. Further, to solve the problem of shortages of certain skills, Ahmedabad needs, according to the authors, a vigorous programme of training in industrial occupations, particularly because their industrial structure is fast changing and newer types of skills are required. While in-plant training has served some useful purpose in the past, the authors fear that "it has the potential danger of a worker being exploited by the payment of low wages and remaining a trainee, even long after he has acquired the necessary skill."

The hypothesis that the entire country forms one labour market is not valid, especially in a vast country like India. Such a concept is not also useful for the purpose of policy-formulation. It would therefore be more appropriate to assume the existence of many local labour markets and to analyse each one of them individually as that approach would provide more satisfactory analysis of labour markets as also sound basis for policy-formulation. It is therefore fervently hoped that studies in other industrial centres will be encouraged along lines adopted by the authors in this book, with a view both to building a systematic structure of authentic information on Indian labour markets and providing basis for formulating a rational and equitable labour policy.

MODERNISATION

It is impossible to view the problems of modernisation of the cotton textile industry in India in isolation. According to R.D. Mohota in his *Textile Industry & Modernisation* inadequate cotton supply of the requisite quality and the consequent high prices of the commodity are some of the major causes of the ills that have beset the industry since partition. This means cotton supply has to be ensured by stepping up indigenous supply in such a manner as to suit the pattern of production which would be influenced by modernisation. Apart from large domestic market especially made up of the vulnerable section of the Indian society, there are vast foreign markets which have not yet been fully exploited. Modernisation and setting up of new textile units should fit into this new pattern. The author has rightly drawn attention to the sick mills and the government take-over of such mills. He has however emphasised that take-over of sick mills is only a means and not an end.

The author has rightly stressed the role of the spinning sector of the textile industry. Spinning units provide directly and indirectly employment to lakhs of weavers. Supply of quality yarn at reasonable prices and in adequate quantities has got to be ensured especially to lakhs of weavers. in rural areas to keep them fully employed and to ensure them adequate income. New spinning units along with the old ones have a significant role to play especially as spinning industry is employment-oriented in a very big way. The author has advocated a balanced and progressive approach to the entire problem.

The evils referred to by the author in the book are all well-known and he has not told anything new about the problems faced at present by the Indian textile industry. There is nothing special about the analysis while the method of exposition is extremely unsatisfactory as it is patchy and disjointed, lacking focus.

new ideas

The last chapter on "Evolution of a National Textile Policy" however does contain some new ideas and is worth perusal. On the basis of his analysis, the author has made an attempt "to evolve a comprehensive and integrated policy which will be positive, coherent, judicious and feasible in relation to the Indian cotton textile industry which will be most acceptable in the context of the present economic, social and political ideologies."

According to the author, all the textile (cotton) mills, powerlooms and handlooms—whether in the private or public sector—should be geared to produce the best quality of fabrics in sufficient quantities at prices which can be said to be the lowest under the circumstances. This has to be the guiding principle of the national textile policy.

According to the author, the government of India should be 'the general manager' of the national textile policy. All the sections of the industry should be considered as 'departments of the industry'. The general manager should see that the industry operates in accordance with its declared objectives. Since according to the policy, everything will be under the control of the government, it cannot evade its responsibility for non-fulfilment of the stated objectives. There is also no reason why the objectives shold not be achieved.

The author has employed the above new concepts to bring about a radical change in the management of the industry. The notion of 'one industry' and 'one management' will help to avoid unnecessary competition which now prevails among different textile mills, between spinning and weaving sectors, between consumers and producers and so on. As soon as 'the industry' is seen in this light, 'the manager' will immediately become aware of its chronic ailments, namely shortage of cotton which can be augmented only by rapid strides in the agricultural sector of the Indian economy. Naturally this should receive due attention of the government which is now in the seat of 'the general manager'. The agricultural sector is capable of meeting the challenge of producing and supplying adequate quantities of cotton as shown by the bumper crop of 1972-73. But the success in this sphere for a couple of years should not make us complacent. Adequate buffer-stock of cotton must be built up. Any surplus thereafter might be exported to earn valuable foreign exchange (as in 1975-76). According to the author, buffer-stock of about 5 lakh bales per year must be built up in order to maintain price stability and also to keep in check fluctuations in the supply of cotton.

ensuring highest output

Having ensured adequate supply of cotton, the government (i.e. the general manager) should try to obtain the maximum output from the present capital equipment. This should include both the modernised and non-modernised mills. At present many modernised mills which are more efficient than decentralised sector units remain closed. The manager therefore must not invest large funds in setting up new factories when some modern mills remain closed or report sick. He must try to obtain the maximum output from the existing mills before embarking upon a programme of modernisation and further expansion.

According to the author, it is essential that "not a single new spindle be installed until the existing spinning capacity is fully utilised, though of course, the necessary rapairs and renovation to utilise the existing capacity satisfactorily have got to be carried out in order to obtain the maximum benefits."

The liberal policy in respect of cotton supplies coupled with maximum utilisation of the existing productive capacity is likely to present the problem of glut of stocks in the domestic market. According to the author, this problem should be solved by maximising exports. Failing this, judicious prunning of production will have to be adopted. Among various alternatives open, the least inconvenient would be, according to the author, curtailment of the third shift in the industry to the necessary extent. The author also believes that while government controls would be necessary to control any uncommon situation, they must be kept at the minimum level, because "a large mass of controls ineffectively implemented creates more problems than it solves."

role of manager

The role of 'the manager' will not be over until the product of the industry reaches the consumer. A suitable policy will have to be evolved for this purpose. Proper distribution channel will have to be evolved and supervised with a view to eliminating the possible malpractices in the field of distribution. The author has emphasised the production of controlled varieties of standardised specifications as also the production and distribution of ready-made garments for which there is vast potential market both within and outside the country, the balance of textile production being left completely free for marketing through normal channels.

The reader gets after reading this book some sort of vague ideas about the problems faced by the cotton textile industry in India and the policy the industry should follow to overcome those difficulties. The analysis lacks logical rigour and the modes of analysis and exposition are awfully deficient and fall far short of the requirements. While the author who has earned a doctorate degree for the book has taken pains to collect vast amount of material, the statistical data needs to be recast and reinterpreted and the whole thesis rewritten, if it is to succeed in producing an integrated and clear picture of the textile industry.

HEDGING

The economic importance of futures trading arises from the necessity of avoidance of risks. It is well-known that commodity ownership and marketing involve risks of adverse price fluctuations. It is also observed that such risks are particularly large in the case of agricultural commodities which are grown seasonally but are consumed round the year. The futures market-mechanism aims at avoidance of such risks. The process by which price risks are reduced or altogether avoided is known as 'hedging'.

Despite the long and chequered history of organised futures trading in India, M.G. Pavaskar, the author of *Economics of Hedging*, is of the opinion that no systematic and scientific attempt was made so far to assess the hedging utility of commodity futures markets to such different market functionaries as merchants, exporters, manufacturers and so on. The author has tried in this book to fill this void in the economic research on futures trading.

The author has made an attempt in this book "to ascertain, with particular reference to the behaviour of the ready and futures prices of cotton, the nature and extent of hedging utility of the cotton futures market". The study has been confined to the futures market in cotton in Bombay as it happens to be the premier futures market in cotton in the country. The study covers the period 1953-54 to 1963-64. The author has also tried to assess in qualitative terms through appropriate cost-return analysis, the degree of economic efficiency or effectiveness of hedging in the cotton futures market, as well as its bias in favour of one or the other class of hedgers. He has also examined the nature of price relationship between the ready and futures markets in cotton and has investigated the underlying causes which determine the 'spread' or difference between the two sets of prices. The structure of the cotton futures contract is also analysed in order to identify some of the major deficiencies therein which reduce or impair the utility of the futures market for effective hedging. In the light of his analysis, the author has made a few suggestions with a view to improving the mechanism of the cotton futures market.

It is seen that commodity futures began in India almost one hundred years ago. When due to the American Civil War the flow of cotton to the United Kingdom was disrupted, it turned to India for its requirements of cotton. As a consequence cotton soon came to occupy the pride of place in India's foreign trade. In view of considerable risks involved in buying, stocking and exporting cotton, the buyers who were then mostly Europeans established the Bombay Cotton Traders Association in 1875 with the aim of "regulating in an organised manner futures business in cotton." In later years a few rival bodies came to be established. With a view to ending this unhealthy rivalry, the Cotton Central Board came to be constituted by the government of India in 1919. This body founded in 1922 the East India Cotton Association. Since then the East India Cotton Association has remained "the premier cotton trading association in the country, organising both ready and forward (including futures) trading in cotton."

For quite some time, a futures market was tacitly recognised by the trade and industry as well as by the government as a *sine qua non* of efficient marketing. As a consequence before World War II, futures markets functioned in almost all major commodities, in addition to cotton. Though futures markets were banned during the period of the Second World War, the government of India brought on the statute the Forward Contracts (Regulation) Act in 1952 with the objective of reviving futures trading in most commodities. As a consequence in 1950s a number of futures markets were set up all over the country for trading not only in such agricultural commodities as cotton, oilseeds, vegetable oils, raw jute, jute goods, spices, gur, etc, but also in such non-farm commodities as gold and silver.

The author's earlier study on the same subject disclosed a bias in the cotton futures market against short hedges. The author then felt that this bias was essentially a feature of the cotton futures market as it functioned between 1953-54 and 1963-64. The present study reveals that such a bias is really inherent in any futures market. According to the author, this is a quite significant revelation as it goes against the hitherto accepted belief of the economic efficiency of a futures market for short hedging.

The empirical evidence presented in this study further confirms that such bias existed not only in respect of hedges

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entered into and lifted in the cotton futures contract for the same delivery month, but also in transferring hedges from the near delivery futures to the distant delivery futures. What is more significant, the bias against short hedging tends to be aggravated in conditions of shortages.

The futures market in cotton has remained suspended since 1966. The author is of the opinion that the authorities must shed their bias against the institution of futures market which is really "a strong bulwark against the malignant development of oligopoly or oligospony situations in free market conditions."

According to Dr Pavaskar, if cotton futures market is to serve any useful function to the trade and industry in marketing and storage of cotton, it is important to improve the hedging efficiency of the cotton futures contract. But according to the author, "unless the bias in the cotton futures contract against the short hedges is removed, either wholly or substantially, the utility of the cotton futures market for hedging could hardly increase."

India and the CMEA

Economic Cooperation between CMEA Countries and India: V. Koptevsky; published by Allied Publishers Ltd., 13/14 Asaf Ali Road, New Delhi-110002; Pp. 126; Price Rs 30.

Reviewed by **S. P. Chopra**

THIS COMPACT study by a Russian "expert in the field of international economic relations"--as the blurb describes the author—has one outstanding quality, namely, precision. There is no wastage of words and the trade and aid relations between our country and the CMEA countries have been described in a cool but objective manner.

Starting with the economic progress attained by the east European countries since 1950, the author goes on to explain the stage by stage evolution of cooperation between India and each one of the CMEA countries. Not unexpectedly, the steel plants at Bhilai and Bokaro are represented here as two outstanding examples of the Russian (of course with the partial collaboration of Czechoslovakia and Poland) effort to make India self-sufficient in iron and steel production. Faithfully all the agreements signed by India and the CMEA countries in the fifties, sixties and seventies are recalled to emphasise the detailed work that has gone into the progressive rise in trade and technical collaboration.

The author has cited the 25th Congress of the CPSU and the subsequent Congress of the Communist and Workers' Parties of the Socialist Countries to show that the CMEA countries will continue to extend their helping hand not only to India but to all the developing countries.

Not many studies have been made by Indian authors of the subject under reference. But Mr Koptevsky appears to be the first Russian expert who has attempted to look at the history of cooperation between India and the CMEA countries over the past two decades and has come up with a readable and informative book which tries to cover vast ground within the compass of 124 pages.

Books Received

Economic Cooperation Between CMEA Countries and India: V. Koptevsky; Allied Publishers Limited; Pp 126; Price Rs 30.

Sources of Variation in Agricultural Productivity: Sudhin K. Mukhopadhyay; The Macmillan Company of India Limited; Pp 121; Price Rs 40.

Economics, Planning and Public Administration: P.R. Dubhashi; Somaiya Publications Pvt; Ltd 172 Mumbai Marathi Granthasangrahalaya Marg, Dadar, Bombay-400 014: Pp 153; Price Rs 35.00.

Macmillan Studies in Economics: *Financing Economic Development* : A.P. Thirlwall; The Macmillian Press Ltd; Pp 95; Price not given.

Macmillan Studies in Economics: *Monetary Policy*: Douglas Fisher; The Macmillan Press Ltd, Pp 91; Price £1.95 net.

Cost Accounting: S.P. Jain and K.L. Narang; Kalyani Publishers; HO 1/1 Rajender Nagar, Ludhiana; Pp 656; Price Rs 22.50.

Industrial and Commercial Law: R.C. Chawla and K.C. Garg; Kalyani Publishers; HO 1/1 Rajender Nagar, Ludhiana; Pp 850; Price Rs 24.30

Income Tax Law and Practice: S.P. Jain, V.P. Gaur and D.B. Narang; Kalyani Publishers; HO 1/1 Rajender Nagar, Ludhiana; Pp 546; Price Rs 21.00

Auditing Principles and Practice: Jagdish Prakash; Kalyani Publishers; HO 1/1 Rajender Nagar, Ludhiana; Pp 484; Price Rs 22.50.

Marginal Farmers and Agricultural Labourers: Dr N.K. Thingalaya; Economic Research Department, Syndicate Bank, Manipal-576119; Pp 111; Price not given.

From Dissociation to Rehabilitation: Devaki Jain; Allied Publishers Private Limited, 15 Graham Road, Ballard Estate, Pp 32; Price Rs 4.

Legislation and Cases on Untouchability and Scheduled Castes in India: G.S. Sharma; Allied Publishers Private Limited, 15 Graham Road, Ballard Estate, Bombay 400038; Pp 157; Price Rs 20.

History and Archaeology of India's Contracts with Other Countries: Shashi Asthana; B.R. Publishing Corporation, 461, Vivekanand Nagar, Delhi-110052; Pp 275; Price Rs 125; $25.

The Human Settlement that We Need: C.A. Doxiadis; Tata McGraw-Hill Publishing Company Limited, 12/4 Asaf Ali Road, New Delhi-110002; Pp 84; Price Rs 60.00.

Government Policy for the Management of Public Enterprises: Volume I, General Management and Financial Management; Pp 347; Volume II, Construction Management and Production and Materials Management; Pp 333; Published by Bureau of Public Enterprises and Bharat Heavy Electricals Ltd; Copies can be had from Bharat Heavy Electricals Limited, Hindustan Times Building, Kasturba Gandhi Marg, New Delhi-110001; Price Rs 35 for (Vol. I & II).

TRADE WINDS

Monitoring of Industrial Growth

THE MINISTRY of Industry has set up a growth monitoring unit in the department of Heavy Industry under the chairmanship of Mr S.M. Ghosh, additional secretary. The unit has seven other members drawn from the department of Heavy Industry and the Directorate-General of Technical Development. Among other things, the unit will compile production data and production projections; decipher and identify trends of significance; organise pre-emptive action either in the sphere of infrastructure or input or marketing in order to sustain upward trend in production; advise the government in time in case need is felt for any policy on input; and organise such coordination as is necessary from the stage of raw materials to marketing in order the ensure steady availability of materials and outflow of the end products.

Banks' Cash Reserves Raised

The Reserve Bank has raised the cash reserves requirements of scheduled commercial banks from four per cent to five per cent of their demand and time liabilities effective from the week beginning September 4, 1976. RBI's decision has stemmed from the rising prices of sensitive commodities following the larger money supply with the public. The twin guiding factors of the Reserve Bank have been the consideration of the current and prospective liquidity in the money market and the need for further regulating the lendable resources of the commercial banks. Banks will be paid interest on the additionally impounded reserves at 5.5 per cent per annum. The enhancement of the cash reserve ratio means the statutory liquidity ratio will stand raised from 37 per cent to 38 per cent. In a letter to the banks, Mr K.R. Puri, governor of the Reserve Bank, has said that in the context of the comfortable liquidity position, the banks should also seek to reduce their indebtedness to the Reserve Bank on account of food credit as well as non-food credit.

Donations to Political Parties

The minister for Law and Company Affairs, Mr H. R. Gokhale, moved a bill in the Lok Sabha recently for amending the Companies Act to enable non-government companies to make contributions to political parties or to any individual or body for political purposes. The only restriction on such contributions will be that they will not, in any case be more than five per cent of a company's average net profits during the preceding three years or Rs 50,000 whichever is greater.

A complete ban on contributions by companies to any political party or to any individual or body for political purposes was imposed in 1970 because. it was then contended, that they vitiated healthy political developments and resulted in political corruption. The statement of objectives and reasons appended to the bill now says that "experience has shown that the said ban has not produced the desired result. It is, therefore, proposed to amend Section 293A so as to remove the said ban in relation to non-government companies."

The bill also seeks to amend Section 220 for making it "absolutely essential" that even where the annual general meeting of the company has not been held, the balance-sheet and profit and loss account should be filed with the Registrar of Companies to enable the shareholders and other persons to find out from inspection of the said documents, the affairs of the company and its financial condition.

Silver Export

The government has canalised exports of silver through the State Trading Corporation. A press note issued by the Commerce ministry recently stated that silver export by private sector has been banned. Exports instead will take place through the State Trading Corporation. Exports have been canalised in order to monitor them effectively and regulate them whenever necessary.

State Loans

Twelve state governments have announced the issue of new loans bearing interest at six per cent per annum for amounts aggregating Rs 82.75 crores as under: Andhra Pradesh Rs 11.25 crores, Haryana Rs 7.25 crores, Himachal Pradesh Rs 1.50 crores, Jammu & Kashmir Rs 2.25 crores, Maharashtra Rs 11.75 crores, Meghalaya Rs 1.25 crores, Manipur Rs 1.50 crores, Nagaland Rs 2.00 crores, Punjab Rs 4.75 crores, Tamil Nadu Rs 11.50 crores, Tripura Rs 1.50 crores and Uttar Pradesh Rs 26.25 crores.

All the above loans will be issued at Rs 99.00 per cent and will open for subscriptions on September 15, 1976 and close on September, 18, 1976 or earlier without notice as soon as subscriptions approximate to the amount of each issue.

Maturing Date

The state governments reserve their right to retain subscriptions upto ten per cent in excess of the notified amounts. The loans will be redeemable at par on August 24, 1986. Interest on the above loans for the period September 15, 1976 to February 23, 1977 inclusive will be paid on February 24, 1977 and thereafter payment of interest will be made half yearly on August 24 and February 24 each year. Interest in respect of all loans will be liable to tax under Income-tax Act, 1961. Interest on government securities along with income in the form of interest or dividends on other approved investments will be exempt from income-tax subject to a limit of Rs 3,000 per annum and also subject to other provisions of Section 80L of the Income-tax Act, 1961. The value of investments in the loans now issued together with the value of other previous investments in government securities and the other investments specified in Section 5 of the Wealth Tax Act, 1957 will also be exempt from the Wealth Tax up to Rs 1,50,000.

In the event of over-subscription to the loan applied for applicants tendering applications at the offices of the Reserve Bank of India at Ahmedabad, Bangalore, Bombay (Fort and Byculla), Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna will be given the option of transferring their cash refunds to any other state government loan which may still be open for subscription. To avail themselves of this facility, applicants should complete the "Special Option Form", copies of which can be obtained at any of the offices of the Reserve Bank of India and tender the form along with their applications.

Exchange Earnings by ITDC Hotels

Hotels operated by the India Tourism Development Corporation earned foreign exchange to the tune of Rs 2.10 crores in 1975-76. In addition money changing counters of the banks operating in the premises of Ashoka and Akbar Hotels in New Delhi changed foreign exchange worth Rs 1.67 crores during the year. The outflow of foreign exchange spent by these hotels on import of essential items and promotion abroad was Rs 10.13 lakhs during 1975-76.

Heavy Equipment for Czechoslovakia

A ten-member heavy industry delegation from Czechoslovakia led by Mr Jaroslav Janik, vice minister for Steel and Heavy Engineering, called on Mr T.A. Pai, minister of Industry recently. The Czechoslovak Ambassador in New Delhi was also present during the talks. The delegation was on a visit to India for exploring the possibilities of procuring coke oven equipment, electricals and technological structurals for their own needs as well as for meeting their contract requirements in third countries. Mr Janik stated that they wanted all the equipment that India could supply for their coke oven project and wanted quick deliveries so that they could complete their project in Czechoslovakia by 1980. He told Mr Pai that his country would be prepared to purchase 70 per cent of the equipment from India and said that his delegation had come with a list of concrete requirements. Among their other needs, he listed heavy-duty transformers and other heavy electrical equipment and metal structurals. Mr Janik called for collaboration between India and Czechoslovakia in the fields of power generation, heavy industry and general engineering. He further stated that several Czechoslovak enterprises were ready to

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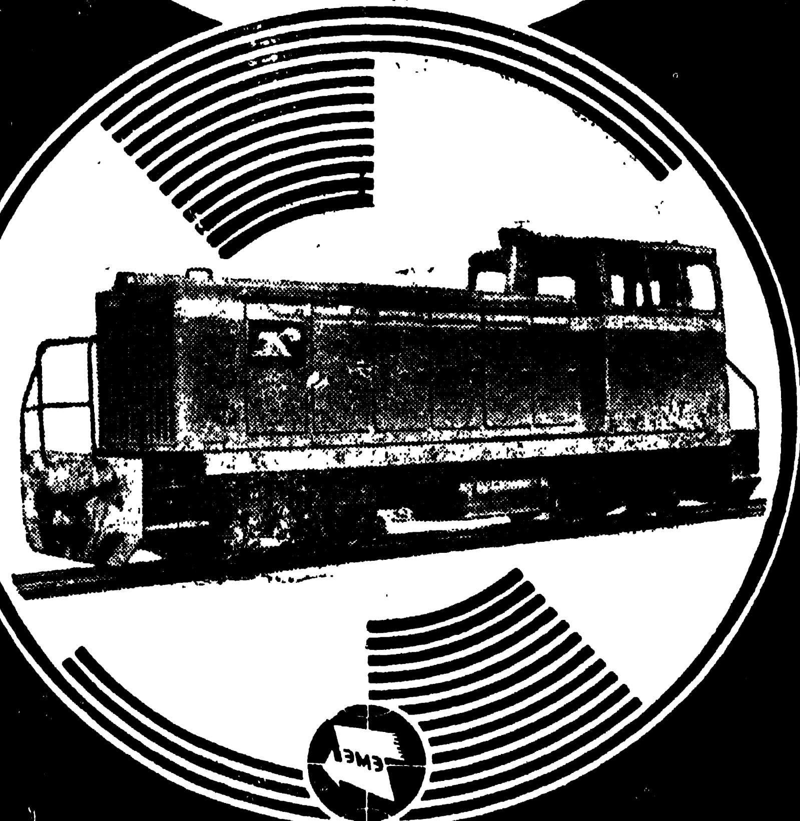

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enter into collaboration with Indian firms with a high-level of technology on both sides. He, however, wanted imports from India to be balanced by a similar volume of exports by Czechoslovakia to India.

Power and Transmission Schemes

Nine new hydro-electric schemes out of the 27 received during 1975-76 have been technically cleared by the Central Electricity Authority (CEA). Giving this information, in reply to a question in the Lok Sabha, the minister for Energy, Mr K.C. Pant, stated that revised cost estimates were received in respect of 15 schemes of which two had so far been technically cleared by the CEA. The Central Electricity Authority has also cleared five thermal power projects out of the 15 received during 1975-76. On the transmission side, 52 schemes had been received out of which 22 had been cleared. The CEA had also cleared nine out of 15 schemes for inter-state and inter-regional lines received. In respect of the union territories, 14 power development schemes were received of which 12 had been technically cleared. A scheme for the establishment of a regional load despatch centre for the North-Eastern Regional Electricity Board was also received during 1975-76 and had been cleared by the CEA.

Oil in Bassein

The minister for Petroleum, Mr K.D. Malaviya, informed the Lok Sabha recently that oil had been struck in the two wells drilled in the Bassein structure. The minister stated that the Oil & Natural Gas Commission had found indications of gas in commercial quantity and some oil fluorescence in cores below the gas zone in a well drilled on the South Bassein structure. About the thickness of the horizon of oil and gas discovery, Mr Malaviya said that it was very likely that 'it may prove to be one of the thickest hydrocarbon reservoirs in the country'. He, however, said that at this stage, it was difficult to make any prediction about the output of the region. Giving details of drilling, Mr Malaviya said that while no other well had been drilled on South Bassein structure, some more wells were to be drilled on the crest of Bassein structure to determine the productivity of this field. One of these had been drilled and the drilling of the second well was in progress, he added.

Onshore Drilling

The deputy minister for Petroleum, Mr Z.R. Ansari, told Lok Sabha recently that Oil & Natural Gas Commission had already started drilling operations at new locations in Gujarat, Assam and Rajasthan. These were Sampra and Dharnoj in Gujarat, Dimulgaon and Bibuber in Assam, and Bhuana in Rajasthan. He added that because of greater emphasis on on-shore operations, drilling was expected to be taken up in the current year at Puranpur and Parewa in Uttar Pradesh, Jwalamukhi, Ramshahr and Nurpur in Himachal Pradesh, Galsi and Diamond Harbour in West Bengal. Gojalia in Tripura, Changara Khawad, West Mehsana, Mehsana Horst, Miyagaon and Kavitha in Gujarat, Chargola and Laxmijan in Assam and Narsapur in Andhra Pradesh. He indicated that drilling at Puranpur in Pilibhit district of Uttar Pradesh was expected to commence in March-April, 1977. The projected depth of the well was 6000 metres and it was likely to take about one year to be completed. The estimated expenditure on drilling in Puranpur would be about Rs 2.40 crores, the minister said. The strength of the technical and non-technical staff for drilling will be about 260.

ONGC Contract for Burmah Engineering

Oil and Natural Gas Commission (ONGC) has awarded Burmah Engineering Company (a member of the Burmah Oil Group) a contract to carry out a feasibility study for telecommunications, telemetry and data-handling systems in the commercial development of the Bombay off-shore oilfields. This major project includes the Bombay High structure. The British firm pointed out that it was ONGC's intention to use the most modern technology, and added that Burmah was proud to have been appointed as one of the consultants on this major project.

Fertiliser Production

The minister for Chemicals & Fertilisers, Mr P.C. Sethi, told the Lok Sabha recently that a large-scale programme was in hand for augmenting indigenous capacity for manufacturing fertilisers to narrow the gap between demand and indigenous supply to reduce dependence on imports. The minister stated that 16 large-sized fertiliser plants were under various stages of implementation and another four plants had been approved in principle. He said that with the completion of the projects under implementation and those approved in principle, the fertiliser capacity in the country was likely to increase to 6.5 million tonnes of nitrogen and 1.7 million tonnes of phosphatic as against 2.973 million tonnes of nitrogen and 0.692 million tonnes of phosphatic fertilisers at present. Mr Sethi observed that since the completion and commissioning of some of the fertiliser plants was likely to spill over to the sixth Plan period, the capacity build-up at the end of the fifth Plan period was likely to be 4.69 million tonnes of nitrogen and 1.311 million tonnes of phosphatic fertilisers.

Export of Essential Drugs

The minister for Chemicals & Fertilisers, Mr P.C. Sethi told Lok Sabha that India also exported some of the vital drugs. The minister added that out of the total value of about Rs 43 crores of drugs and medicinal preparations, including medicinal castor oil, exported during 1974-75, the contribution of the public sector undertakings was about Rs 2.6 lakhs. Regarding imports of bulk drugs, Mr Sethi said that as against the indigenous production of bulk drugs worth Rs 80 to 85 crores in 1974, the total imports of essential bulk drugs during 1974-75 were of Rs 30.07 crores.

Indigenous Production

During 1974-75, STC imported bulk drugs worth Rs 19.55 crores. This had come down to Rs 14.05 crores during 1975-76. The minister said that all efforts were being made to step up indigenous production by increasing the output of existing products and also by taking up the manufacture of new items, to meet the increasing requirements of the country, in order to achieve self-sufficiency as far as practicable.

Automobile Batteries

The Central Electrochemical Research Institute Karaikudi, has developed a process for the manufacture of lead acid batteries from indigenous raw materials. The process has been standardised. These batteries find application in automobiles for starting, lighting and ignition. This is of immense importance in defence also. The essential raw materials required for the manufacture of lead acid batteries are lead, for welding and grids, antimony, lead oxides, barium sulphate, carbon black, separators and sulphuric acid. All these raw materials and main items of plant and machinery are available indigenously. The total capital outlay for putting up a plant for producing 3000 batteries per year has been estimated at Rs 212,000. The cost of the battery manufactured would be about Rs 133.

Haryana Tannery

Haryana Tanneries will shortly start functioning at Jind at a cost of Rs 1.20 crores. Haryana State Industrial Development Corporation has paid Rs 17.5 lakhs as equity capital. It will have a capacity to process 5000 skins per day. Already 80 skins have been purchased from a Delhi firm for trial. To start with, the product-mix will consist of only upper leather and lining. Later on it is planned to take up the production of leather garments, sports goods etc. The Central Leather Research Institute, Madras are the chief consultants of this tannery and major portion of the machinery is being imported from Czechoslovakia, West Germany and Bulgaria. Scudding machines have been purchased from Madras. The main aim of this project will be to export finished products with a view to increasing foreign exchange. This is in consonance with the recent policy of the central government to discourage the export of raw and semi-raw finished leather products.

Industries in Public and Private Sectors

With the larger role assigned to the public sector, its share in the allocation of resources for industries has significantly increased. The allocation for industries in the public and private sectors is not based on a pre-determined ratio but is done in accordance with the priorities and targets envisaged in each plan, the programmes being determined within the framework of the Industrial Policy Resolution. The percentage distribution of the outlay provided for organised industries and mining in the public sector and the investment envisaged in the private sector was of Rs 327 crores during the first Plan. This included Rs 94 crores (28.7 per cent) in the public sector and Rs 233 crores (71.3 per cent) in the private sector.

Capital Investment

The public sector allocation in the second Plan was Rs 690 crores as against the envisaged investment of Rs 575 crores. The total investment for industries in the second Plan was Rs 1265 crores. During the third Plan, of the total Rs 2570 crores allocated for industries, Rs 1470 crores (57.2 per cent) was for the public sector and Rs 1100 crores (42.8 per cent) envisaged for the private sector. The fourth Plan outlay on public sector was Rs 3048 crores (57.5 per cent) of the total allocation for industries of Rs 5298 crores.

DEPARTMENT OF ATOMIC ENERGY

On behalf of the President of India, the Director, Directorate of Purchase and Stores, Department of Atomic Energy, Bombay invites tenders as detailed below :

1) Tender No. DPS/NFC/ENG/302 due on 30-9-76. Cast/Machined Hollow Copper Pads, 218 mm OD x 100mm ID, as per tender specification —200 Nos.
2) DPS/BARC/ENG/9155 due on 1-10-76 Fabrication and supply of Lead Bricks as per drg. and tender specn. with Purchaser's lead. 1750 Nos.
3) DPS/HWP/PPF/517 due on 27-9-76. Supply of Carbon Steel Pipes conforming to ASTM-A-106 Gr. B as per purchaser's tender specification.
4) DPS/PPED/ENG/1134 due on 30-9-76. Manufacture and supply of Stud Bolts, Hex. Head Bolts, Hex Nuts, Lock Washers, etc. conforming to ASTM specifications, in various sizes and large quantities, as per tender specifications.
5) DPS/BARC/SPR/3685 due on 30-9-76. Supply and installation of Chilled water coils with flanged ends —12 Nos.
6) DPS/PPED/ENG/1132 due on 14-10-76. Consumable Weld Inserts, Filler Wires and Coated Electrodes as per tender specification in large quantities.
7) DPS/HWP/PPF/522 due on 24-9-76. Supply of ERWCarbon Steel Pipe conforming to A-53 GR B as per purchaser's tender specifications.
8) DPS/TAPS/GEN/408 due on 27-9-76. Boiler suits yellow colour—36,000 Nos.
9) DPS/NFC/GEN/144 due on 27-9-76. High density high purity alumina refractory bricks—1000 Nos.
10) DPS/PPED/PPF/900 due on 23-9-76. Supply of Carbon Steel Gate Valves as per purchaser's tender specifications.
11) DPS/NFC/CAP/385 due on 23-9-76. Small, fine wire drawing machine, wet slip type, continuous, wet drawing of non-ferrous metals like copper, aluminium etc., drawing speed less than 20 metres per sec., as per purchaser's specification—1 No.
12) DPS/BARC/CAP/1928 due on 28-9-76. Centrifugal pump coupled with electric motor with starter, capacity: 300 igpm as per purchaser's specification—2 Nos.
13) DPS/NAPP/PPED/FAB/17 due on 5-10-76. Manufacture, inspection, testing, export packing, and supply of R-Ni-Cr-C alloy material 'Latch Sleeve Front Piece' in the 'Investment Cast' and tested condition with sufficient allowance for finish grinding, as per purchaser's tender specification and drawing—Qty. 125 Nos.
14) DPS/PPED/EEQ/217 due on 11-10-76. Supply of (a) AMP Transducers (b) Watt Transducers and (c) VAR Transducers, 2 Nos., 8 Nos., and 8 Nos respectively as per specification.
15) DPS/TAPS/CAP/41 due on 13-10-76. G.B.I. Kinetic ram or equivalent pipe clearing equipment with accessories as per purchaser's specification and drawing—1 No.
16) DPS/HWP/CAP/407 due on 14-10-76. Portable device for milling and lapping of gate valve discs, flanges of nominal sizes 50 mm to 200 mm along with milling and lapping discs, as per purchaser's specification-1No.
17) DPS/PPED/CAP/195 due on 21-9-76. Design, manufacture, assembly, testing and delivery at site properly packed of air handling unit, as per purchaser's tender document and drawing—1 No.
18) DPS/HWP/CAP/432 due on 22-9-76. Design, manufacture, inspection at manufacturer's works, supply, delivery at site and performance test, properly packed of fuel unloading-cum-transfer pump, capacity $25M^3$ hr 2 Nos. and diesel oil unloading-cum transfer pump, capacity $5M^3$ hr. 2 Nos. with all accessories and auxiliaries for the Heavy Water Project, Kota, as per purchaser's tender document.
19) DPS/NAPP/PPED/FAB/18 due on 27-9-76. Manufacture, inspection, testing, supply and delivery of Forged and rough machined Carbon Steel Rings and Bars as per purchaser's tender document. Qty. as per tender document.
20) DPS/RRC/FAB/136 due on 30-9-76. Preparation of shop drawings, supply of material, manufacture, inspection, shop assembly, shop testing, guarantee, crating and delivery to Reactor Research Centre Site of following components as per purchaser's tender document and drawings.

1.	Fresh Fuel Handling Adaptors	2 Nos.
2.	Special Flask No. 4	1 No.
3.	Argon Filling Machine and its swivelling arrangements	1 No.

Tender documents priced Rs. 5/- each for items at S.No. 1 & 2 Rs. 10/- each for items at S.No. 3 to 6 Rs. 15/- each for items at S.No. 7 to 9, Rs. 20/- for items at S.No. 10, Rs. 25/- each for items at S.No. 11 to 16, Rs. 50/- each for items at S.No. 17 to 19 and Rs. 100/- for items at S.No. 20 and General conditions of contracts priced Rs. 0.50 P each except for items at S.No. 13, 19 & 20 can be had from the Finance and Accounts Officer, Department of Atomic Energy, Directorate of Purchase and Stores, 3rd floor, Mohatta Building, Palton Road, Bombay-400001, between 10 a.m. to 1 p.m. on all working days except on Saturday, Tender forms and General conditions for items at S.No. 11, 12, 15, 16, 17 & 18 will however be issued only upto 17-9-76, 23-9-76, 8.10.76, 8.10.76 15.9.76 and 16.9.76 respectively. Import Licence will be provided except for items at S.No. 19 & 20, only if the items are not available indigenously. Tenders will be received upto 3 p.m. on the due date shown above and will be opened at 4 p.m. on the same day. The right is reserved to accept or reject lowest or any tenders in part or full without assigning any reasons. davp 645 (184) 76

The draft fifth Plan allocation for industries is Rs 13,528 crores, out of which Rs 8328 crores (61.6 per cent) will be in the public sector.

Punjab Seed Corporation

The Punjab Seed Corporation which came into being only this year, has decided to produce 160,000 quintals of wheat seed during the next rabi season. As much as 130,000 quintals will be produced under the growers' programme and 30,000 quintals under the producers' programme. The areas selected for this purpose include the project areas of Ludhiana district, mainly parts of Ludhiana and Mangat blocks; project areas of Jullundur district comprising Jullundur east and west, Adampur and parts of Nawanashahar blocks; and the project areas of Faridkot district comprising parts of Kothapara and Muktsar blocks. The corporation has invited farmers to participate in this programme. Each such farmer will have to become a shareholder of the corporation. For doing so the growers who are enlisted as shareholders will be paid the procurement price of the wheat at the time of delivery at the processing plant. They will be paid Rs 135 per quintal after the seed has been processed and certified.

World Bank Meet

The annual general meeting of the World Bank and its affiliates will be held at Manila in the Philippines on October 4. Finance ministers of over a hundred countries are expected to attend the meeting. The annual meeting of the World Bank and its affiliates such as International Development Association (IDA) and International Finance Corporation (IFC) will review the international currency problem and the trends in the world trade. The meeting taking place after the Nairobi conference of UNCTAD assumes significance for the developing countries.

Names in the News

The term of Mr K.G. Salvi as Managing Director, Hindustan Housing Factory Limited, has been further extended for another two years with effect from July 1, 1976 on the existing terms and conditions.

Mr I. C. Puri took over recently as Development Commissioner of Small Scale Industries and additional secretary in the ministry of Industry. This post had been vacant since the promotion of Mr N. J. Kamath as Secretary.

Mr Puri has made a special study of small manufacturing enterprises at Harvard University, USA.

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On the Road

Loans :

- for transport operators with national and state permits
- to buy rickshaws (including motorised Cycle-rickshaws)
- to buy tongas, rehras, handcarts etc.

On the farm

Loans :

- for seeds, fertilisers and insecticides
- for minor irrigation
- for land development
- for farm mechanisation (tractors and implements)
- for ancillary agricultural activities (dairy, poultry, sheep and goat rearing, piggeries, etc.)

Towards employment and rehabilitation

Loans :

- to released bonded labourers and landless farmers for productive activities
- to weavers for purchase of looms and yarn
- to students for education and book banks
- to medical practitioners for setting up nursing homes in rural areas
- to artisans, craftsmen and cottage industries
- to housewives for supplementing family income
- to agriculture graduates for purchase of small holdings
- for retail trade
- for small business
- for construction of huts on home-stead land in rural areas
- for essential consumption requirements of farmers, both education and medical aid

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punjab national bank

davp 76/288

The Bank of Rajasthan Limited

Regd. Office: Clock Tower, Udaipur. Central Office: Jaipur

Directors' Report

for the year ended 31st December, 1975

(To be submitted to the Shareholders at the Thirty-Third Annual General Meeting to be held at the Registered Office of the Company at Clock Tower, Udaipur on Tuesday, the 27th July, 1976 at 2.30 P.M.)

The Directors have pleasure in submitting to the Shareholders their Report, Balance Sheet and the Profit and Loss Account for the year ended 31st December, 1975.

Capital & Reserves

In 1975, by addition of Rs. 6.40 lakhs to Statutory Reserve and Rs. 1.21 lakh to General Reserve, the total Reserves (including the share premium at Rs. 0.05 lakh) amount to Rs. 48.75 lakhs. The total owned funds of the Bank, thus, aggregate Rs. 78.75 lakhs.

Deposits

During the year under review, the deposits of the Bank have risen from Rs. 38.21 crores to Rs. 46.03 crores, registering an increase of 20.4%.

Investments

The investment in Government and other Trustee Securities amounting to Rs. 13.73 crores form 97.5% of the total investments. Of these, 80.5% of the securities mature within a period of 15 years.

Advances

The total advances, including bills purchased and discounted stood at Rs. 27.23 crores as on 31st December, 1975 as against Rs. 25.38 crores a year ago. The credit-deposit ratio, at the end of the year was 59.15%. Special attention is being paid by the directors for increasing advances to priority and neglected sectors.

Branch Expansion

The Directors are glad to state that during the year under review, the Bank has opened a record number of 15 branches and an extension counter. Thus, the total number of offices of the Bank, has increased to 120. Of these sixteen offices, two were opened in Gujarat State, one in Tamil Nadu, one in Union Territory of Delhi and the remaining twelve offices in Rajasthan. Nearly three-fifth of the branches of the Bank are located in rural and semi-urban centres.

During the current year, four branches of the Bank, at Matsya Industrial Estate, Alwar (Alwar Distt.), Jalia (Ajmer Distt.), Anta (Kota Distt.) in Rajasthan, one at Bhopal in Madhya Pradesh and four extension counters at J. K. Nagar, Kota, Roadways Bus Stand, Ajmer, Bus Stand (Sindhi Camp), Jaipur and Mayo College, Ajmer, all in Rajasthan, have been opened.

Number of Offices

	1965	1967	1969	1971	1973	1975
Rural ..	5	6	13	19	32	35
Semi-Urban	31	31	32	35	39	45
Urban ..	16	17	18	22	25	30
Metropolitan	2	2	3	5	6	9
TOTAL	54	56	66	81	102	119

Profit & Its Appropriation

The net profit of the Bank for 1975 amount to Rs. 20,07,028.47 as against Rs. 19,98,331.26 of the last year. After adding thereto a sum of Rs. 1821.57, brought forward from the previous year, a sum of Rs. 20,08,850.04 is available for appropriations. The following appropriations, therefrom, have been made :

(*i*) To Reserve Fund under Section 17 of the Banking Regulation Act, 1949 ..	Rs.	6,40,000.00
(*ii*) To General Reserve	Rs.	1,21,000.00
(*iii*) To Provision for Income-tax	Rs.	2,75,000.00
TOTAL ..	Rs.	10,36,000.00

The Directors now recommend to declare a dividend at 12% per annum for 1975 (subject to tax and approval of the Reserve Bank of India) which will absorb a sum of Rs. 3,60,000/-, to earmark Rs. 6,00,000/- for contingencies and to carry forward the balance of Rs. 12,850.04.

Staff

The relations with the staff continue to be cordial. The Directors place on record their appreciation of the sustained efforts of the officers and the staff to render courteous services to the customers.

The statement of employees referred to in Sub-section (2A) of Section 217 of the Companies Act, 1956, is given in Appendix 'A' and forms part of this Report. None of the employees shown therein is a relative of any director of the Company.

Directors

Shri Birdhi Lal Sethi, having tendered his resignation, was relieved from the directorship of the Bank with effect from 21st June, 1975. The directors place on record their deep appreciation of the valuable services rendered by him during the tenure of his office as director.

In accordance with Article 119 of the Bank's Articles of Association, Shri Shiv Kumar Mansinghka, director retires from the Board of Directors by rotation and being eligible offers himself for re-election.

Auditors

Messrs. J. K. Singhal & Co., Chartered Accountants, present auditors of the Company, retire at the close of the ensuing General Meeting. They are not seeking re-appointment for the current year.

In this connection, attention of the members is invited to Item No. (A)4 of the Notice of the Annual General Meeting.

Acknowledgement

The Directors take this opportunity to express their grateful thanks to the constituents, patrons and members of the Bank for their continued co-operation and support.

By Order of the Board
J. M. AGARWAL
Chairman

Jaipur
18th June, 1976

APPENDIX 'A'

Statement showing the informations required to be furnished under Section 217(2—A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rule, 1975 and forming part of the Directors' Report for the year ended 31st December, 1975.

S. No.	Name	Designation	Remuneration	Nature of Employment	Other terms & Conditions	Qualifications	Date of Commencement of Employment
(*a*)	Employed throughout the financial year under review and were in receipt of remuneration for that financial year in the aggregate not less than Rs. 36,000/:-						
1.	Shri J. M. Agarwal	Chairman & Chief Executive Officer	43,546.42	On deputation from the Reserve Bank of India	Wholetime employee	B.Com. 30 years in Banking	2.8.1974
2.	Shri J. S. Babel	General Manager	41,529.45	Permanent	Wholetime employee	B. Com. 29 years in Banking	18.4.1951
3.	Shri D. S. Kothari	District Manager Bombay Branch	37,545.46	Permanent	Wholetime employee	Inter, CAIIB 32 years in Banking	1.7.1948
4.	Shri G. L. Prabhu	Manager, Foreign Exchange Division, Bombay	37,943.20	Permanent	Wholetime employee	S.S.C. 33 years in Banking	31.3.1973
(*b*)	Employed for a part of the year under review and were in receipt of remuneration for any part of that year at a rate which, in the aggregate was not less than Rs. 3,000/- p.m. :						
1.	Shri S. M. Jain	Joint General Manager	41,660.38	Contractual	Wholetime employee	Matric 36 years in Banking	17.2.1975

The Bank of

Balance Sheet as at

CAPITAL AND LIABILITIES		1975		1974
1. CAPITAL		Rs.		Rs.
Authorised Capital 40,000 Shares of Rs. 100 each		40,00,000.00		40,00,000.00
Issued Capital 30,000 Shares of Rs. 100 each		30,00,000.00		30,00,000.00
Subscribed Capital 30,000 Shares of Rs. 100 each		30,00,000.00		30,00,000.00
Paid-up Capital :				
30,000 Shares of Rs. 100 each, fully paid-up		30,00,000.00	30,00,000.00	30,00,000.00
2. RESERVE FUND AND OTHER RESERVES				
Reserve Fund under Section 17 of Banking Regulation Act, 1949		40,00,100.00		33,60,100.00
Other Reserves		8,70,000.00		7,49,000.00
Share Premium Account		4,550.00	48,74,650.00	4,550.00
3. DEPOSITS AND OTHER ACCOUNTS				41,13,650.00
Fixed & Call Deposits				
(*a*) Banks	61,55,000.00			3,05,000.00
(*b*) Others	24,25,63,737.84	24,87,18,737.84		21,52,25,685.36
				21,55,30,685.36
Savings Bank Deposits		11,80,94,917.82		9,14,14,966.04
Current Accounts Contingency (Unadjusted)				
(*a*) Banks	1,01,83,516.61			38,57,781.71
(*b*) Others	8,26,96,869.58	9,28,80,386.19		7,07,32,432.82
				7,45,90,214.53
Staff Security Deposits		5,87,390.88	46,02,81,432.73	5,41,240.78
(Deposited with this Bank itself, being a Scheduled Bank)				38,20,77,106.71
4. BORROWINGS FROM OTHER BANKING COMPANIES, AGENTS ETC.				
(*i*) In India		1,25,82,149.03		72,32,157.23
(*ii*) Outside India		Nil		Nil
Particulars :				
(*i*) Secured (Government Securities)		92,55,149.03		32,67,157.23
(*ii*) Unsecured		17,32,000.00		Nil
(*iii*) By way of Call Deposits from Banking Companies		15,95,000.00	1,25,82,149.03	39,65,000.00
				72,32,157.23
5. BILLS PAYABLE			1,01,88,583.03	1,57,60,193.53
6. BILLS FOR COLLECTION BEING BILLS RECEIVABLE AS PER CONTRA				
(*i*) Payable in India		3,03,86,282.45		3,01,46,220.94
(*ii*) Payable outside India		85,13,759.83	3,89,00,042.28	38,86,409.01
				3,40,32,629.95
7. OTHER LIABILITIES				
(*i*) Unpaid Dividends		1,01,827.37		66,902.16
(*ii*) Provision for Income Tax & Interest Tax		52,24,656.07		37,92,728.07
(*iii*) Bonus to Staff		Nil		5,00,000.00
(*iv*) Staff Benefit Account		41,884.13		42,084.63
(*v*) Branch Adjustments		1,23,54,736.01		1,19,59,678.30
(*vi*) Sundry Creditors Account		58,39,028.04		61,31,591.70
(*vii*) Unexpired Discount		33,682.56		15,307.36
(*viii*) Provision for Staff Training		2,500.00	2,35,98,314.18	2,500.00
				2,25,10,792.22
Total carried over :			55,34,25,171.25	46,87,26,529.64

Rajasthan Ltd.

31st December, 1975

PROPERTY AND ASSETS	1975		1974
1. **CASH**	Rs.		Rs.
In hand and with Reserve Bank of India and State Bank of India		2,28,11,615.92	3,35,72,925.89
2. **BALANCES WITH OTHER BANKS ON CURRENT ACCOUNT**			
(*i*) In India	2,12,65,431.56		1,01,24,793.82
(*ii*) Outside India	3,24,251.20	2,15,89,682.76	3,12,350.41
			1,04,37,144.23
3. **MONEY AT CALL & SHORT NOTICE**		3,68,50.000.00	14,00,000.00
4. **INVESTMENTS** (At or below market value)			
(*i*) Securities of the Central and State Govts. and other Trustee Securities (Face Value Rs. 14,35,24,705/-)	13,72,73,962.99		11,74,54,467.84
(*ii*) Treasury Bills of the Central and State Govt.	Nil		Nil
(*iii*) Fully paid preference shares	Nil		10,000.00
(*iv*) Fully paid equity shares	9,23,000.00		8,23,000.00
(*v*) Partly paid equity shares	5,57,450.00		2,00,000.00
(*vi*) Debentures or Bonds (Face Value Rs. 19,10,000/-)	18,98,335.00		13,23,697.50
(*vii*) Other Investments :			
(*a*) Initial Capital in the Unit Trust of India	50,000.00		50,000.00
(*b*) Units of the Unit Trust of India	50,000.00		50,000.00
(*viii*) Gold	Nil	14,07,52,747.99	Nil
			11,99,11,165.34

Notes—(*i*) Reserve Bank of India has a lien on securities of the face value of Rs. 3 lacs on account of guarantees given on behalf of constituents.

(*ii*) State Bank of India has a lien on securities of the face value of Rs 2.5 lacs on account of Letter of Credit given on behalf of constituents.

PROPERTY AND ASSETS	1975		1974
5. **ADVANCES** (Other than bad and doubtful debts for which provision has been made to the satisfaction of the auditors)			
(1) (Loans, Cash Credits, Overdrafts etc.			
(*i*) In India	20,54,53,285.02		18,63,66,644.21
(*ii*) Outside India	Nil		Nil
(2) Bills discounted and purchased (excluding treasury bills of the Central & State Govts.)			
(*i*) Payable in India	5,47,47,571.21		4,93,39,355.53
(*ii*) Payable outside India	1,20,49,194.46		1,81,01,943.99
	6,67,96,765.67	27,22,50,050.69	25,38,07,943.73
Particulars of Advances :—See separate statement annexed.			
6. **BILLS RECEIVABLE BEING BILLS FOR COLLECTION AS PER CONTRA**			
(*i*) Payable in India	3,03,86,282.45		3,01,46,220.94
(*ii*) Payable outside India	85,13,759.83	3,89,00,042.28	38,86,409.01
			3,40,32,629.95
7. **CONSTITUENTS' LIABILITIES FOR ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS PER CONTRA**		2,88,11,283.53	3,40,04,718.84
Total carried over :		56,19,65,423.17	48,71,66,527.98

The Bank of
Balance Sheet as at

CAPITAL AND LIABILITIES		1975		1974
		Rs.		Rs.
Brought Forward..			55,34,25,171.25	46,87,26,529.64
8. ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS PER CONTRA			2,88,11,283.53	3,40,04,718.84
9. PROFIT & LOSS				
Balance of last year's Profit after Appropriations		13,74,821.57		12,89,882.41
Less—Dividend for 1974	3,60,000.00			3,90,000.00
Bonus for 1974	10,13,000.00	13,73,000.00		8,98,392.10
		1,821.57		12,88,392.10
				1,490.31
Add—Profit for the year brought from Profit & Loss Account		20,07,028.47		19,98,331.26
		20,08,850.04		19,99,821.57
Less—Appropriations :				
1. Reserve Fund under Sec. 17 of Banking Regulation Act, 1949	6,40,000.00			6,25,000.00
2. General Reserve	1,21,000.00			Nil
3. Provision for Income Tax	2,75,000.00	10,36,000.00	9,72,850.04	Nil
				13,74,821.57
10. CONTINGENT LIABILITIES				
(*i*) Claims against the Banking Company not acknowledged as debts		1,83,193.38		77,127.38
(*ii*) Money for which the Banking Company is contingently liable – Guarantees given by the Banking Company on behalf of :				
(*a*) Directors or Officers		Nil		Nil
(*b*) Others		2,98,76,571.11		2,58,37,853.88
(*iii*) Arrears of Cumulative Preference Dividend		Nil		Nil
(*iv*) Liability on bills of exchange rediscounted		2,05,58,818.48		1,43,66,394.10
(*v*) In respect of partly paid shares		3,25,000.00		2,00,000.00
(*vi*) Outstanding forward exchange contracts		3,41,21,947.79		1,36,81,839.56
(*vii*) In respect of advances assigned under Participation Certificate Scheme		15,00,000.00		60,00,000 00

Notes :—

1. Loans, Cash Credits and Overdrafts (considered good) Unsecured includes Rs. 24,33,650.54 due from M/s. Mahalaxmi Mills Co. Ltd., Beawar, which has been nationalised w.e.f. 1.4.1974 in respect of which necessary claims will be lodged on appointment with appropriate authority under the Sick Textile Undertakings (Nationalisation) Act, 1974. The amount is subject to final settlement with the appropriate authority.
2. The Bank has set-up a separate Gratuity Fund and an application has been filed for its approval before the Commissioner of Income Tax which is pending. The provision to the full extent for future gratuity liability to staff has not been made. The provision for the year, based on actuarial valuation has been considered as allowable deduction together with the other allowable items in computing the provision for taxation.

	1975	1974
Grand Total :	58,32,09,304.82	50,41,06,070.05

As per separate report of even date annexed.

For M/s. J. K. SINGHAL & CO.
Chartered Accountants
M. C. BHANDARI, F.C.A.

Rajasthan Ltd.

31st December, 1975

PROPERTIES AND ASSETS			1975		1974
			Rs.		Rs.
Brought Forward..				56,19,65,423.17	48,71,66,527.98
8. PREMISES LESS DEPRECIATION					
Total Cost as on 31-12-74			21,15,773.62		19,04,519.71
Additions during the year			3,61,971.65		2,11,253.91
			24,77,745.27		21,15,773.62
Less—Depreciation as per last Balance Sheet		2,82,593.50			2,38,374.78
Depreciation during the year		45,738.89	3,28,332.39	21,49,412.88	44,218.72
					2,82,593.50
9. FURNITURE & FIXTURES LESS DEPRECIATION					18,33,180.12
As per last Balance Sheet			54,41,798.82		48,53,857.92
Additions during the year			10,45,939.21		6,06,184.69
			64,87,738.03		54,60,042.61
Less- Sale/Written off during the year			8,732.99		18,243.79
			64,79,005.04		54,41,798.82
Less Depreciation as per last Balance Sheet		23,77,480.93			20,34,148.87
Less -Depreciation on sale/written off during					14,201.74
the year		5,503.87			20,19,947.13
		23,71,977.06			3,57,533.80
Depreciation during the year		4,23,968.17	27,95,945.23	36,83,059.81	23,77,480.93
10. OTHER ASSETS INCLUDING SILVER					30,64,317.89
(*i*) Silver			Nil		Nil
(*ii*) Sundry Debtors			8,48,828.40		4,00,776.95
(*iii*) Stamps			34,323.95		36,699.30
(*iv*) Cash in Transit			3,53,572.00		15,70,493.00
(*v*) Prepaid Insurance			Nil		48,000.00
(*vi*) Stationery in Stock			11,94,386.84		11,59,611.98
(*vii*) Income accrued but not realised			59,44,809.26		39,18,129.98
(*viii*) Income Tax deducted at source and Income Tax paid in advance			68,54,985.93		45,89,424.97
(*ix*) Building Equipment			1,224.23		1,224.28
(*x*) Conveyance					
As per last Balance Sheet		5,18,418.37			5,29,975.02
Additions during the year		6,235.86			53,831.18
		5,24,654.23			5,83,806.20
Less—Sale/Written off during the year		Nil			65,387.83
		5,24,654 23			5,18,418.37
Less—Depreciation as per last Balance Sheet	3,00,734.77				2,85,560.84
Less—Depreciation on Sale/Written off during the year	Nil				39,231.82
	3,00,734.77				2,46,329.02
Add—Depreciation during the year	44,641.16	3,45,375.93	1,79,278.30	1,54,11,408.96	54,405.75
					3,00,734.77
					2,17,683.60
11. NON—BANKING ASSETS ACQUIRED IN SATISFACTION OF CLAIMS					1,20,42,044.06
(Stating mode of valuation)				Nil	Nil
Grand Total				58,32,09,304.82	50,41,06,070.05

Jaipur 18th June, 1976	J. M. AGARWAL *Chairman &*	S. K. MANSINGHKA H. L. KOTHARI CHUNILAL JAIPURIA	*Directors*	J. S. BABEL

The Bank of

Profit & Loss Account for the year

EXPENDITURE		1975 Rs.	1974 Rs.
1.	Interest paid on Deposits, Borrowings etc.	2,70,01,660.84	2,13,31,127.44
2.	Salaries, Allowances and Provident Fund (Includes Rs. 32,963.59 being the Bonus paid for the previous year)	1,85,96,818.81	1,51,43,404.30
3.	Directors' & Local Committee Members' Fees and Allowances	5,250.00	6,900.00
4.	Rent, Taxes, Insurance, Lighting etc.	8,67,026.55	7,08,622.69
5.	Law Charges	16,515.34	55,471.75
6.	Postage Telegrams and Stamps	7,15,027.62	6,12,796.79
7.	Auditors' Fees	38,725.00	33,500.00
8.	Depreciation on and Repairs to the Banking Company's Property	6,13,583.35	5,35,189.00
9.	Stationery, Printing, Advertisement, etc.	6,90,033.73	5,04,789.02
10.	Loss from sale of or dealing with non-banking assets	Nil	Nil
11.	Other expenditure	14,86,277.50	11,33,211.03
12.	Balance of Profit	20,07,028.47	19,98,331.26
	Total	5,20,37,947.21	4,20,63,343.28

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the annexed Balance Sheet of the Bank of Rajasthan Limited, Udaipur as at 31st December, 1975 and the annexed Profit and Loss Account of the Bank for the year ended on that date in which are incorporated the returns of 12 branches audited by us and 107 branches audited by other Chartered Accountants. In accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, read with the provisions to Sub-sections (1) and (2) of Section 211 and Sub-section (5) of Section 211 and Section 227 of the Companies Act, 1956, the Balance Sheet and Profit & Loss Account are not required to be and are not drawn in accordance with the sixth schedule of the Companies Act, 1956. The accounts are, therefore, drawn up in conformity with forms A and B of the Third Schedule to the Banking Regulation Act, 1949. We report that :—

(*a*) we have obtained all the informations and explanations which to the best of our knowledge and belief, were necessary for the purpose of audit and have found them to be satisfactory;

(*b*) the transactions of the Bank which have come to our notice, have been within the powers of the Bank.

(*c*) in our opinion, proper books of account as required by law, have been kept by the Bank so far as appears from our examination of those books;

(*d*) the Bank's Balance Sheet and Profit & Loss Account dealt with by this report, are in agreement with books of account and the returns;

(*e*) the reports on the accounts of the branches audited by Branch Auditors have been forwarded to us and the same have been considered by us in preparing our report;

(*f*) in our opinion, and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, in the manner so required for Banking Companies and on such basis the said Balance Sheet gives a true and fair view of the state of affairs of the Bank as at 31st December, 1975 and Profit & Loss Account gives a true and fair view of the profit for the year ended upon that date.

For M/s. J. K. SINGHAL & CO.
Chartered Accountants
M. C. BHANDARI, F.C.A.
Partner

Jaipur
18th June, 1976

Rajasthan Ltd.

ended 31st December, 1975

INCOME (Less provision made during the year for bad and doubtful debts and other usual or necessary provisions)	1975 Rs.	1974 Rs.
1. Interest and Discount	4,44,27,115.44	3,49,06,269.75
2. Commission, Exchange & Brokerage	67,32,481.81	63,04,417.43
3. Rents	2,700.60	1,855.20
4. Net Profit on sale of Investments, Gold and Silver, Land, Premises and other Assets (not credited to Reserves or any particular fund or account)	Nil	Nil
5. Net Profit on revaluation of investments, Gold and Silver, Land, Premises and other Assets (not credited to Reserves or any particular fund or account)	Nil	Nil
6. Income from Non-Banking Assets and Profit from sale of or dealing with such assets	Nil	Nil
7. Other Receipts	8,75,649.36	8,50,800.90
	5,20,37,947.21	4,20,63,343.28

Notes :—1. Previous year's figures have been re-cast wherever necessary to render those computable.

2. Interest paid includes Rs. 4,55,426.77 charged by Reserve Bank of India this year in respect of earlier years.

3. Particulars of remuneration relating to the Chief Executive Officer :

(*i*) Salaries	21,420.00
(*ii*) Allowances	12,813.70
(*iii*) Sitting fee	Nil
(*iv*) Bonus	Nil
(*v*) Employers' contribution to provident fund, pension fund or any other superannuation fund and gratuity	2,142.00
(*vi*) Monetary value of any other benefits or perquisites	7,170.72
(*vii*) Total of items (*i*) to (*vi*)	43,546.42
(*viii*) Salary & Allowances of the Chief Executive Officer as stated in the Profit & Loss Account of the previous year	64,981.37

J. M. AGARWAL
Chairman
&
Chief Executive Officer

S. K. MANSINGHKA
H. L. KOTHARI
CHUNILAL JAIPURIA
URMILA DEVI
} *Directors*

J. S. BABEL
General Manager

Jaipur
18th June, 1976

The Bank of Rajasthan Ltd.

Schedule of Advances

Required by the Banking Regulation Act, 1949 attached to and forming part of the Balance Sheet as at 31st December, 1975

	1975 Rs.			1974 Rs.		
PARTICULARS OF ADVANCES	Bills Discounted & Purchased	Loans, Advances, Cash Credit & Overdrafts	TOTAL	Bills Discounted & Purchased	Loans, Advances, Cash Credit & Overdrafts	TOTAL
(i) Debts considered good in respect of which the Banking Company is fully secured	4,32,93,510.02	16,35,84,543.87	20,68,78,053.89	4,62,30,417.18	17,12,63,506.19	21,74,93,923.37
(ii) Debts considered good for which the Banking Company holds no other security than the debtors' personal security	1,21,05,113.49	1,15,03,828.89	2,36,08,942.38	14,07,334.98	1,25,48,859.92	1,39,56,194.90
(iii) Debts considered good secured by the personal liabilities of one or more parties in addition to the personal security of the debtors:						
(a) Debts guaranteed by the Government of Maharashtra and Rajasthan	Nil	19,27,766.25	19,27,766.25	Nil	12,33,313.35	12,33,313.35
(b) Others	1,14,03,142.16	2,84,32,146.01	3,98,35,288.17	1,98,03,547.36	13,20,964.75	2,11,24,512.11
(iv) Debts considered doubtful or bad, not provided for	Nil	Nil	Nil	Nil	Nil	Nil
	6,67,96,765.67	20,54,53,285.02	27,22,50,050.69	6,74,41,299.52	18,63,66,644.21	25,38,07,943.73
(v) Debts due by Directors or Officers of the Banking Company or any of them either severally or jointly with any other persons	Nil	20,86,280.28	20,86,280.28	Nil	14,68,460.73	14,68,460.73
(vi) Debts due by Companies or Firms in which the Directors of the Banking Company are interested as Directors, Partners or Managing Agents or in case of Private Companies as Members	12,75,667.65	14,87,194.07	27,62,861.72	24,52,588.84	3,02,538.80	27,55,127.64
(vii) Maximum total amount of advances, including temporary advances made at any time during the year to Directors or Managers or Officers of the Banking Company or any of them either severally or jointly with any other persons	Nil	20,86,280.28	20,86,280.28	Nil	15,73,050.03	15,73,050.03
(viii) Maximum total amount of advances including temporary advances granted during the year to the Companies or Firms in which the Directors of the Banking Company are interested as Directors, Partners, Managing Agents or in case of Private Companies, as Members	12,52,909.00	38,22,585.16	50,75,494.16	56,74,556.54	2,84,998.18	59,59,554.72
(ix) Due from Banking Companies	Nil	Nil	Nil	1,52,030.26	2,43,172.31	3,95,202.57

COMPANY AFFAIRS

United Asian Bank Berhad

UNITED ASIAN Bank Berhad has reported impressive improvments in its working results during the year ended December 31, 1975. The current fixed savings and other deposits of customers shot up to M$ 316.84 million, recording an increase of as much as M$ 90.63 million over 1974 while deposits and balances of banks and agents nearly trebled to M$ 38.56 million from M$ 13.08 million in the preceding year. The cash and balances with banks and agents too rose spectacularly to M$41.62 million from M$ 34.52 million in 1974 while investments in Malaysian governments securities were also substantially higher at M$ 49.82 million as against M$ 37.19 million in the earlier year. The amount advanced to customers too recorded a marked rise by M$ 71.94 million to M$ 170.14 million while the amount under "Bills Receivables" accounts spurted to M$ 87.19 million from M$ 75.66 million in 1974.

Profits Doubled

The net profit of the bank, after providing for diminution in value of assets, contingencies and after making allocations to inner reserves, more than doubled to M$ 7.040 million, registering a handsome rise of M$ 3.760 million over 1974. Out of the profit, a sum of M$ 3.600 million was earmarked for taxation as against M$ 1.701 million in the preceding year. After adding the balance brought forward from the previous year, the disposable surplus amounted to M$ 4.111 million as against M$ 2.054 million a year ago. Out of this, a sum of M$ 3.000 million was transferred to general reserve. The proposed first and final dividend of six per cent (less 40 per cent income tax) absorbs M$ 0.360 million. The balance of M$ 0.751 million has been carried forward.

Bank of Rajasthan

Bank of Rajasthan Ltd has reported commendable progress during the year ended December 31, 1975, with deposits, advance and profit outstripping the previous year's encouraging performance by considerable margins. Deposits during the year jumped to Rs 46.03 crores, registering an increase of as much as Rs 7.82 crores or 20.4 per cent over 1974. Advances, including bills purchased and discounted too recorded a smart rise to Rs 27.30 crores from Rs 25.38 crores in the previous year. The credit-deposit ratio at the end of the year was 59.15 per cent. Special attention was paid for deploying the bank's resources to priority and neglected sectors. The investments of the bank in government and other trustee securities amounted to Rs 13.73 crores and formed 97.5 per cent of the total investments. Of these 80.5 per cent of the securities mature within a period of 15 years.

During the year the bank opened a record number of 15 branches and an extension counter thereby carrying the total number of offices of the bank to 120. Of these 16 offices two were opened in Gujarat state, one in Tamil Nadu, one in the union territory of Delhi and the remaining 12 offices in Rajasthan. Nearly three-fifth of the branches of the bank are located in rural and semi-urban areas.

Branch Expansion

During the current year, four branches of the bank, at Matsya Industrial Estate, Alwar (Alwar district), Jalia (Ajmer district), Anta (Kota district) in Rajasthan, one at Bhopal in Madhya Pradesh and four extension counters at J.K. Nagar, Kota Roadways Bus Stand, Ajmer Bus Stand (Sindhi Camp), Jaipur and Mayo College, Ajmer, all in Rajasthan have been opened.

The net profit of the bank during the year was higher at Rs 20.07 lakhs as against Rs 19.98 lakhs in 1974. After adding the sum brought forward from the previous year the total amount available for appropriations came to Rs 20.09 lakhs. Out of this, a sum of Rs 6.40 lakhs was transferred to reserve fund, Rs 1.21 lakhs to general reserve, Rs 6 lakhs for contingencies and Rs 2.75 lakhs for taxation. The directors have recommended a dividend of 12 per cent. This will absorb Rs 3.60 lakhs. The balance of Rs 12,850 has been carried forward.

Bally Jute

Although sales of Bally Jute Co. Ltd have gone up significantly to Rs 16.12 crores during the year ended March 31, 1976 from Rs 12.70 crores, the profit earned during the year has declined steeply to Rs 29.06 lakhs from Rs 117.04 lakhs in 1974-75. After adding Rs 23.49 lakhs being the income-tax refund from an earlier year, the total disposable surplus amounted to Rs 52.55 lakhs. Out of this, a sum of Rs 28.88 lakhs was appropriated to the depreciation reserve while the balance of Rs 23.67 lakhs was transferred to general reserve. The directors have recommended a dividend of Rs 1.00 per equity share which will claim Rs 7.17 lakhs. Besides the directors have proposed payment on 30,000 cumulative preference shares at the rate of 10 per cent per annum for the three years ended March 31, 1976. This will absorb Rs 9 lakhs. These amounts will be paid out of the year's profit which has been transferred to general reserve.

Incidently it may be pointed out, last year, although the directors have initially recommended payment of preference dividend at 10 per cent for two years up to March 31, 1975 and equity dividend at eight per cent for the last year, the amounts have been skipped in view of the limitations imposed by the Companies (Temporary Restrictions on Dividends) Act 1974, which was then in force.

Capital Expenditure

The company has incurred capital expenditure to the tune of Rs 22.26 lakhs during the year under review which has been spent mainly on renovation of machinery and equipment.

In place of development rebate reserve the government has introduced a scheme of investment allowance in respect of new plant and machinery installed in some specified industries after March 31, 1976. Since the jute industry is eligible for this allowance, the company is formulating plans for modernisation and renovotion of its jute mills.

Fibreglass Pilkington

Fibreglass Pilkington has earned during the year ended March 31, 1976 a higher gross profit of Rs 1.83 crores as compared to Rs 1.48 crores in 1974-75. Out of the gross profit, a sum of Rs 36.22 lakhs was appropriated to depreciation reserve while taxation absorbed Rs 65.00 lakhs. A sum of Rs 2.27 lakhs was provided for repairs while Rs 58,000 was set aside for meeting doubtful debts. The net profit, after these allocations amounted to Rs 45.84 lakhs and the entire surplus was transferred to general reserve. The directors have recommended an equity dividend of 15 per cent. This will absorb Rs 24.00 lakhs and will be paid out of the general reserve.

Larsen & Toubro

The working of Larsen & Toubro for the first four months of the current year (April to July 1976) shows satisfactory improvement over that for the corresponding period of the previous year. Order booking, production and order backlog figures have all registered significant increases over those achieved in the previous year.

Sales at Rs 18.56 crores were slightly less than in the previous year's figure mainly because of an unusual heavy billing against one single job in the previous year and delays in despatches of bulky machinery on the railway during the current monsoon period. This shortfall is expected to be made up in a month or two. Barring unforeseen circumstances, the company expects the current year to end with a significant improvement in sales and profit.

The directors have proposed

6 per cent State Government Loans, 1986

State	Amount of Loan (In crores of Rupees)	State	Amount of Loan (In crores of Rupees)
*1. Andhra Pradesh	11.25	9. Punjab	4.75
2. Haryana	7.25	*10. Tamil Nadu	11.50
3. Himachal Pradesh	1.50	11. Tripura	1.50
4. Jammu & Kashmir	2 25	*12. Uttar Pradesh	26.25
*5. Maharashtra	11.75		
6. Meghalaya	1.25		
7. Manipur	1.50	* SECOND ISSUE	82.75
8. Nagaland	2.00		

All the above loans will be issued at Rs. 99.00 per cent and will open for subscriptions on Wednesday, 15th September 1976 and close on Saturday, 18th September 1976 or earlier without notice as soon as subscriptions approximate to the amount of each issue. All the State Governments reserve their right to retain subscriptions upto ten per cent in excess of the notified amounts.

The loans will be redeemable at par on 24th August 1986. Interest on the above loans for the period 15th September 1976 to 23rd February 1977 inclusive will be paid on 24th February 1977 and thereafter payment of interest will be made half-yearly on 24th August and 24th February each year. Interest in respect of all loans will be liable to tax under Income-tax Act 1961. Interest on Government securities along with income in the form of interest or dividends on other approved investments will be exempt from Income-tax subject to a limit of Rs. 3,000/- per annum and subject to other provisions of Section 80L of the Income-tax Act, 1961.

The value of investments in the Loans now issued together with the value of other previous investments in Government securities and the other investments specified in Section 5 of the Wealth Tax Act, 1957 will also be exempt from the Wealth Tax upto Rs 1,50,000/-.

Subscriptions may be in the form of CASH/CHEQUE.

Applications for *all the loans* will be received at the offices of the Reserve Bank of India at Ahmedabad, Bangalore, Bombay (Fort and Byculla), Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna and the State Bank of Bikaner and Jaipur at Jaipur.

Applications will also be received *at other places within the respective States* as follows:

(i) Branches of the Subsidiary Banks of the State Bank of India conducting Government treasury work except at Hyderabad;

(ii) Branches of the State Bank of India at places where there is no branch of its Subsidiary Banks conducting Government treasury work; and

(iii) In the case of Jammu & Kashmir loan, applications will be received at branches of the Jammu & Kashmir Bank within the State of Jammu & Kashmir and branches of the State Bank of India where there is no branch of Jammu & Kashmir Bank.

Applications for Haryana and Punjab State Government Loans will also be received at State Bank of India, Chandigarh.

Securities will be issued in the form of Promissory Notes or Stock Certificates. The advantages of investing in the form of Stock Certificates are as under:—

(i) It is safer than a Government Promissory Note as the name of the holder is registered in the books of the Public Debt Office.

(ii) The Stock Certificate will be sent to the applicant direct by registered post by the Public Debt Office.

(iii) The half yearly interest will be remitted to the holder direct by an interest warrant drawn at par on any Treasury or State Bank branch stipulated by the holder. If the holder so desires, the interest will be remitted by Money Order after deducting the Commission charges.

(iv) If the holder wishes to sell his securities he can do so by signing the transfer form printed on the back of the Certificates in the manner prescribed therein.

(v) Government Promissory Notes in exchange for the Stock Certificate can be obtained by applying to the Public Debt Office and on payment of a nominal fee for each new note required.

Copies of the Notifications and Application Forms may he obtained from any of the Receiving Offices mentioned above.

In the event of over-subscription to the loan applied for, applicants tendering applications at the offices of the Reserve Bank of India at Ahmedabad, Bangalore, Bombay (Fort and Byculla), Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna will be given the option of transferring their cash refunds to any other State Government loan which may still be open for subscription. To avail themselves of this facility, applicants should complete the "Special Option Form", copies of which can be obtained at any of the offices of the Reserve Bank of India mentioned above and tender the form along with their applications.

a bonus issue in the proportion of 1:2, subject to the consent of the Controller of Capital Issues. The bonus shares will rank *pari passu* with the existing equity shares and will be entitled to full equity dividend for the financial year 1976-77. The company had last issued bonus shares in 1973 in the ratio of eight bonus shares for every 25 equity shares.

It may be recalled that the company had made a rights issue in June 1975 in the proportion of one equity share for every four equity shares held, to raise funds to finance its Hydraulic Excavator Project at Bangalore under licence from Poclain S.A., France. By now the excavators are in use at projects all over the country and have been well received by customers. The dividend of 18 per cent for 1975-76 is thus being paid on the enlarged equity capital of Rs 7.45 crores.

News and Notes

Bank of Baroda has financed the lift-irrigation project at Andori village in Satara district of Maharashtra, which is expected to solve the water problem for the land of about 34 farmer families belonging to scheduled caste community there. The scheme costing Rs 1.87 lakhs will bring under irrigation about 43 hectares of land. The bank has provided the entire project cost without any margin and at concessional rate of interest.

Indian TV sets will soon be exported to Nigeria, earning about Rs 1.5 crores in the next two years. An agreement has been signed between **Electronic Corporation of India Ltd and Electronics Trade and Technology Development Corporation Ltd**; both public sector undertakings, and a Nigerian firm for the export of a sizable quantity of ECIL-made TV sets.

New Issues

Stormac India Ltd is offering 245,000 equity shares of Rs 10 each for cash at par to public for subscription. The subscription list for this fully underwritten issue opened on August 31 and will close on September 9 or earlier but not before September 1, 1976. The company has an authorised capital of Rs 50 lakhs and an issued subscribed and paid-up capital of Rs 2.75 lakhs. The present issue is for Rs 44.50 lakhs out of which equity shares worth Rs 20 lakhs have been reserved for cash at par to the foreign collaborators Messrs Stork Brabant B.V. Holland. The remaining equity capital of Rs 24.50 lakhs is now offered to the public for subscription.

The company has been promoted by A.T.E. Private Ltd, (ATE), Bombay and Stork Brabant B.V. Holland (STORK).

Stormac India is setting up a plant at Vatva near Ahmedabad, for the manufacture of rotary screen printing machines. Commercial production is expected to commence by July 1977. Considering the ready market potential for the company's products and growth, the directors feel that barring unforeseen circumstances the company will make sufficient profits so as to pay a satisfactory dividend within a reasonable period.

New Registrations

During the quarter ended June 30, 1976, company formation showed upward trend, as 172 companies were registered in the eastern region as against 131 companies during the previous quarter. The total authorised capital of these new companies amounts to Rs 9,155.50 lakhs as against Rs 1,603.55 lakhs during the previous quarter. Out of Rs 9,155.50 lakhs a sum of Rs 25.00 lakhs represented authorised capital of one government managed company, registered during the quarter. Only one company transferred its registered office from Rajasthan to West Bengal during the quarter under review. Fourteen companies with an aggregate paid up capital of Rs 26.44 lakhs went into liquidation. Names of seven companies with an aggregate paid up capital of Rs 2.01 lakhs were struck off.

In all 136 companies (119 private limited, 16 public and 1 government companies) with an aggregate authorised capital of 994.30 lakhs (502.30 lakhs, 467.00 lakhs and 25.00 lakhs respectively) were registered in the state of West Bengal during the quarter.

Eleven companies with a paid up capital of Rs 18.01 lakhs went into liquidation.

Two public limited and nine private limited companies with an aggregate authorised capital of Rs 111.00 lakhs (Rs 54 lakhs and Rs 57 lakhs respectively) were registered during the quarter in the state of Bihar. One company with a paid up capital of Rs 19 lakhs went into liquidation. None of the companies were struck off.

Three public limited companies and eight private limited companies with an aggregate authorised capital of Rs 261.00 lakhs (Rs 153.00 lakhs and Rs 108 lakhs respectively) were registered during the quarter in the state of Orissa. Two companies with a paid up capital of Rs 8.25 lakhs went into liquidation. None of the companies were struck off.

In all 14 companies, comprising of 11 private limited companies and three public limited companies with an aggregate authorised capital of Rs 7789.20 lakhs (Rs 7559.20 lakhs and Rs 230.00 lakhs respectively) were registered during the quarter in the state of Assam. No company went into liquidation during this period.

Dividend

(Per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Orissa Cement	Dec. 31, '75	20.0	10.0
Central India Machinery	March 31, '76	8.0	Nil
Same Dividend			
Southern Industrial Corpn.	March 31, '76	10.0	10.0
Morarjee Goculdas Spg. & Wvg Mills	June 31, '76	20.0	20.0
Nuddea Mills	Dec. 31, '75	Nil	Nil
Gourepore Company	Dec. 31, '75	Nil	Nil
Ashoka Mills	Dec. 31, '75	15.0	15.0
Bengal Paper Mills	Dec. 31, '75	Nil	Nil
British India Corpn.	Dec. 31, '75	Nil	Nil
Swadeshi Politex	Sept. 30, '75	Nil	Nil
Reduced Dividend			
Solid Containers	March 31, '76	8.0	10.0
Bajaj Electricals	March 31, '76	Nil	10.0
Gaekawar Mills	Dec. 31, '75	5.0	12.0

Licences and Letters of Intent

THE FOLLOWING licences and letters of intent were issued under the Industrial (Development and Regulation) Act 1951 during the month of May 1976. The list contains the names and addresses of the licensees, articles of manufacture, types of licences—New Undertakings (NU), New Articles (NA), Substantial Expansion (SE), Carry on Business (COB), Shifting—and annual installed capacity. Details regarding licences and letters of intent revoked, cancelled or surrendered are also given.

Licences Issued

Metallurgical Industries (Ferrous)

M/s Siliguri Steels Ltd; 23-A, Netaji Subhas Rd; 7th Floor, Room No. 1, Calcutta-1. (Siliguri—West Bengal)—Bars & Rods including twisted Bars, Light & Medium Structurals—7,500 tonnes—(COB)

M/s Aggarwal Steel Industries, Kasara Street, Darukhana, Bombay. (Andheri, Bombay, Maharashtra)—Bright Bars—2,300 tonnes—(COB)

M/s Amar Containers Pvt. Ltd; Near Sardar Bhavan, Modi Khana, Baroda. (Panchmahal, Gujarat)—OTS Cans—7,000 tonnes. Battery Jackets—500 tonnes—(NU)

M/s Multimetals Ltd; Heavy Industries Area, Kansua Road, Kota. (Kota—Rajasthan)—Copper & Copper Alloys Pipes and Tubes—2,400 tonnes—(SE)

Fuels

M/s Govind Roy Oxygen Ltd; P.O. Box No. 23, Margao, Goa. (Margao, Goa, Daman & Diu)—Oxygen Gas—0.90 MCM Dissolved Acetylene Gas—0.20 MCM, Nitrogen Gas—0.72 MCM—(NU)

Electrical Equipments

Mrs Malti Saha; C/o M/s Badri Narayan Saha, Sulaki Road, Giridh. (Giridh—Bihar)—Silvered Mica Capacitors Plates—32 mill. nos. Silvered Mica Capacitors—3 mill. nos. Plastic Film Capacitors—0.5 mill. nos.—(COB)

M/s Kalyan Industrial Corporation; 56, Netaji Subhas Road, Calcutta-1. (Katihar—Bihar)—AAC/ACSR Conductors above 19 Strands—1500M.T.—(COB)

M/s Technind Cables; F-5, Industrial Estate, Mandyal, Andhra Pradesh. (Kurnool—Andhra Pradesh)—AAC/ACSR Conductors above 19 Strands—2,000 tonnes p.a.—(COB)

M/s Kerala State Electronics Development Corporation Limited, Keltron House, Vellayambalam, Trivandrum. (Trivandrum—Kerala)—Variable Speed Drives—2,000 tonnes p.a.—(NU)

M/s Siemens India Ltd; 134, Dr Annie Besant Rd; Worli, Bombay. (Bombay—Maharashtra)—A.C. Synchronous Machines (150 KVA to 2500 KVA)—50 nos. D.C. Machines (Upto 200 HP)—1,200 nos.—(NA)

M/s Kerala State Electronics Development Corporation Limited, Keltron House, Vellayambalam, Trivandrum (Trivandrum· Kerala)—(a) X-Y Plotter/Recorder—100 nos. (b) Digital sign-remental Plotter 100 nos.—(NA)

sales ar/s Jyoti Limited, Industrial Area, Baroda. (Baroda—Gujarat)—Secondary Relays for protection against over-current, short circuit, etc—5,000 nos. Relays, Control Devices and indication devices, such as over voltage relays, time relays differential relays, signal relays special purpose relays, synchronoscope, etc—7,500 nos.—(SE)

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Transportation

M/s Geekay Automotive Products Ltd; N.K.M. International House, 178, Backbay Reclamation, Bombay. (Kolaba—Maharashtra)—Clutch Plates—1,00,000 nos. p.a. Complete Clutch Assembly—50,000 nos. p.a.—(NU)

M/s Injecto Private Ltd; 20/5, Mathura Road, Faridabad. (Gurgaon, Haryana)—Fuel Injection Pipes and Oil Pipes—2,00,000 metres—(NA)

Industrial Machinery

M/s Prakash Tubes Limited, 2-Industrial Area, Kirti Nagar, New Delhi. (Rohtak—Haryana)—High Frequency Tube Welders (Range 100 KW-300 KW)—4 nos.—(NA)

M/s Anup Engineering Ltd; The Anil Starch's Premises, Anil Road, P.B.No. 1164, Ahmedabad. (Ahmedabad—Gujarat)—Soda Ash Plants Equipments and Components—Rs 1 crores—(NA)

M/s B.R. Engineering Industries (India) Ltd; S-478, Greater Kailash-I, New Delhi. (Gurgaon—Haryana)—Pulp & Paper making Plant—upto 200 M.T.p.d. capacity One Unit per annum valued at Rs 15 crores. Paper Converting Machinery—Plants upto 50 MT per day of coated papers 500 MT per annum approx. valued at Rs 2.5 crores—(NU)

M/s Tripura Jute Mills Ltd; Palace Compound (North), Agartala, Tripura. (Tripura West—Tripura)—Sacking Pack Sheets and Hessien—200 looms for the production of 13,872 tonnes—(NU)

M/s Sahyadri Udyog, D-2/65, MIDC, Pimpri Industrial Area, Chinchwad, Poona. (Poona—Maharashtra)—Industrial Furnaces—45 nos.—(SE)

Commercial, Office & Household Equipment

M/s Hindustan Teleprinters Ltd; G.S.T. Road, Guindy, Madras. (Madras—Tamil Nadu)—Electric Typewriter—4,000 nos.—(SE)

Industrial Instruments

M/s Metres & Instruments Pvt. Ltd; 4/20, Connaught Circus, New Delhi. (Chandigarh)—Fuzes; Time Mechanism; Delayed Arming Shutter; Silco Conductor—(NA)

M/s Akay Industries; Station Road, P.B. No. 66, Hubli. (Hubli—Karnataka)—Gate Valves upto 24" size—5,000 nos. Globe Valves (Manually operated) upto 24" size—5,000 nos.—(NU)

Fertilizers

M/s Kothari (Madras) Ltd; Kothari Buildings, 20-Nungambakkam High Road, Madras. (Madras—Tamil Nadu)—Fertilizer Grade Ammonium Chloride—21,000 tonnes—(NA)

Chemicals (Other than Fertilizers)

M/s Dharamsi Morarji Chemical Company Ltd; Prospect Chambers, 317/21, Dr Dadabhoy Naoroji Road, Fort, Bombay.

(Colaba—Maharashtra)—Sodium Aluminate—8,000 tonnes Hydrate of Alumina—4,500 tonnes —(NA)

M/s Bharat Pulverising Mills (P) Ltd; Hexamer House, Sayani Road, Bombay. (Thana—Maharashtra)—Phenthoate Technical—600 tonnes—(NU)

M/s Colour-Chem Ltd; Ravindra Annexe, Dinshaw Vacha Road, 194, Churchgate Reclamation, Bombay. (Thana—Maharashtra)—Butyl Acrylate—1500 tonnes. Other Acrylates—500 tonnes—(NA)

M/s Gujarat State Fertilizers Co. Ltd; P.O. Fertilizer Nagar, Baroda. (Baroda—Gujarat)—A.B.S. Resins—4,000 tonnes. S.A.N.—500 tonnes—(NA)

M/s Punjab United Pesticides and Chemicals Ltd; Sector 54, 55, 56, Sector-17-A, Chandigarh. (Patiala—Punjab)—Malathion Technical—1000 tonnes—(NU)

M/s The Industrial Gases Ltd; 15-Ganesh Chandra Avenue, Post Box No. 853, Calcutta-1. (Lucknow—Uttar Pradesh)—Oxygen Gas—3.60 MCM, Nitrogen Gas—1.8 MCM, Argon Gas —0.125 MCM—(SE/NA)

M/s Sudarshan Chemical Industries (P) Ltd; Sangam Bridge, 162, Wellesley Road, Poona. (Kolaba—Maharashtra)—Pearl Essences—120 tonnes (NA)

Dyestuffs

M/s Amar Dye-Chem Ltd; Rang Udyan, Sitladevi Temple Road, Mahim, Bombay. (Vapi-Bulsar, Gujarat)—Disperse Dyes —200 tonnes—(NA)

M/s Wellman (India) Ltd; 'Neville House', Currimbhoy Road, Ballard Estate, Bombay. (Thana—Maharashtra)—H. Acid —300 tonnes, Peri & Laurent's Acid—50 tonnes, 1 : 6 and 1 : 7 Cleve Acid—50 tonnes, N. Phenyl Peri Acid—50 tonnes, Tobias Acid—25 tonnes, Sulfo Tobias Acid—25 tonnes, J. Acid—150 tonnes, Sulfo J. Acid—25 tonnes N-Phenyl J. Acid 25 tonnes, Sulfanilic Acid—150 tonnes—(NA)

Drugs & Pharmaceuticals

M/s Uni-Sankyo Ltd; Plot 37, Road No. 10, Banjara Hills, Hyderabad. (Hyderabad—Andhra Pradesh)—Human Chorionic Gonadotropin—6,000 million units—(NA)

M/s Alembic Chemical Works Co. Ltd; Alembic Road, Baroda. (Baroda—Gujarat)—*in lakhs* Diural Tab—200 nos. Diural Inj. (2 ml. Amps)—50 nos. Altrip Tab—300 nos. Algesin-o-Tab—500 nos. Alcamide Tab—300 nos.—(NA)

M/s Bengal Chemical & Pharmaceutical Works Ltd; 164, Maniktala Main Road, Calcutta. (Kanpur—Uttar Pradesh)—Ampicillin Capsules—20 lakh numbers (NA)

M/s Abbott Laboratories (India) Pvt. Ltd; 133, Mahatma Gandhi Marg, Bombay-1. (Bangalore—Karnataka)—Gibberallic Acid—365 Kgs. Erythromycin—4,000 Kgs. Thippentone Sodium —1000 Kgs.—(NU)

M/s Excel Industries; 184-87, Swami Vivekananda Road, Jogeshwari, Bombay. (Bhavnagar—Gujarat)—Endosalfan Technical—1,200 tonnes p.a.—(NU)

M/s Alembic Chemicals Works Co. Ltd; Alembic Road, Baroda. (Boroda—Gujarat)—Respinex Expectorant based on Pipazathoate Hydrochloride—2,50,000 liters (within the overall formulation capacity)—(NA)

M/s Encee Electro Process Ltd; 170, A-2, 10th Main Road, Rajmahal Vilas Extension, Bangalore. (Cannanore—Kerala)—Silicon Metal of 98% Purity—1,000 tonnes Calcium Carbide (EUTECTIC Grade)—for captive use—2,000 tonnes—(NU)

M/s Alembic Chemical Works Co. Ltd; Alembic Road, Baroda. (Baroda—Gujarat)—Calcium Sennasoid—20 tonnes—(NA)

M/s The Fairdeal Corpn. (P) Ltd; Lakshmi Building, Sir P.M. Road, Fort, Bombay. (Bombay—Maharashtra)—Nirven Tablets based on Nitrazepam—30 mill. tablets—(NA)

M/s Indian Drugs & Pharmaceuticals Ltd; N-12, South Extension, Part-1, New Delhi. (Hyderabad—Andhra Pradesh) Prenylamine Lactate Formulation—30 mill. tablets—(NA)

Textiles

M/s The Bechardas Spinning & Weaving Mills Co. Ltd; Raikhad, Ahmedabad. (Ahmedabad—Gujarat)—Cotton Yarn—30,396 spindles—(SE)

M/s Modi Spg. & Wvg. Mills Co. Ltd; Modinagar (UP) (Rae Bareli—UP)—Tufted Carpets/yarn—2.5 mill. pounds—(NU)

M/s Kishore Spinning & Weaving Mills, G.T. Road, Panipat. (Panipat—Haryana)—Worsted Yarn—1,200 spindles—(NU)

M/s Kishore Textiles; G.T. Road, Panipat, Haryana. (Alwar —Rajasthan)—Shoddy Yarn—600 spindles—(NU)

Sugar

M/s Upper Doab Sugar Mills Limited; Shamli, Muzaffarnagar. (Muzaffarnagar—UP)—Sugar—5,000 tonnes—(SE)

M/s Siddheshwar Khand Udyog Sahakari Mandli Ltd; Talaja, Bhavnagar. (Bhavnagar—Gujarat)—Sugar—1,250 tonnes —(NU)

M/s Gauribidanur Sahakari Sakkare Karkhane Ltd; Gauribidanur, Kolar. (Kolar—Karnataka) Sugar—2,000 tonnes—(SE)

Food Processing Industries

M/s Tamil Nadu Dairy Development Corporation Limited; 6-Titherdon Road, Vepery, Madras. (Madurai—Tamil Nadu)—Skim Milk Powder, Whole Milk Powder and Baby Food—3,500 tonnes—(NA)

M/s Sandoz (India) Ltd; Sandoz House, Dr Annie Besant Road, Worli, Bombay-18. (Thana—Maharashtra)—Pancreatin and other items based on pancreas of Cattle 30 tonnes—(NA)

Vegetable Oils & Vanaspati

Mr Ved Prakash Aggarwal, 169, Golf Link, New Delhi. (Nasik—Maharashtra)—Cotton Seed Edible Oil by Expeller Process and by Solvent Extraction Process—30,000 tonnes—(NU)

M/s Ashwin Industries; Samlaya, Ashwin Nagar, District Baroda. (Baroda—Gujarat)—Cottonseed Oil—30,000 tonnes—(NA)

M/s Madanapalle Spinning Mills Ltd; C.T.M. Post, Madanapalle, Chittoor Distt. (Nellore- -Andhra Pradesh)—Cotton Seed Oil—30,000 tonnes—(NU)

Letters of Intent

Metallurgical Industries (Ferrous)

M/s Bihar State Industrial Development Corpn. Ltd; Patna-1. (Adityapur, Jamshedpur/Ranchi, Ranchi, Bihar)— Sponge Iron—30,000 tonnes—(NU)

Metallurgical Industries (Non-Ferrous)

M/s The Binani Metal Works Ltd; 103/24/1, Fereshore Road, Sibpur, Howrah. (Sibpur, Howrah, West Bengal)—Non-Ferrous Forgings—500 M. Tonnes—(NA)

Fuels

M/s Lubrizol India Ltd; Delstar, 9-A, S. Patkar Marg, Bombay. (Thana, Maharashtra)—Chemical Additives—10,000 tonnes—(SE)

Electrical Equipments

M/s Chemical Construction Co. (P) Ltd; 29-Ring Road, Lajpat Nagar IV, New Delhi. (Faridabad—Haryana)—Calcium Carbide Furnaces 2 nos.- (NA)

M/s The National Radio & Electronics Company Ltd; Unity House, 8-Mama Parmanand Marg, Bombay. (Bombay—Maharashtra)—High Speed Data Acquisition and Control Systems, including signal conditioners, seannars, A/D & D/A converters, linearisers, signal comparators, programmable controllers, DVMs. inter-face units & accessories—17 nos. worth about Rs 2.5 crores - (NA)

M/s Universal Electrics Ltd; 9/1, R.N. Mukherjee Road, Calcutta. (24-Parganas, West Bengal)—Protective Relays—30,000 Numbers—(SE)

M/s Technicraft Corporation; 44-Darya Mahal-A, Napean Sea Road, Bombay. (Kerala)- Plastic Film Capacitors—8 mills. pieces—(NU)

M/s Hindustan Brown Boveri Limited; 264/265, Dr. Annie Besant Road, Bombay. (Baroda—Gujarat)— Protective & Auxiliary Relays - 32,500 nos- (NA)

M/s Mukund Iron & Steel Works Ltd; Thana, Balapur Road, Kalwe, Thana. (Kalwe, Thana, Maharashtra)—Calcium Carbide Furnaces, upto 50 MN - 2 nos. p.a— (NA)

Mr Shiv Kumar Agaiwala, 4-Hunger Ford Street, Calcutta-16. (Dum Dum Free Trade zone, West Bengal)—Transistors of various types—100 mill. nos—(NU)

M/s Gujarat Communications & Electronics Limited; Express Building, R.C. Dutt Road, Baroda-5. (Baroda—Gujarat)—Memory Stacks - 1,400 nos—(NU)

M/s Geep Flashlight Industries; 28-South Road, Allahabad. (Allahabad—Gujarat)—Fluorescent Tubes—3 mill. nos. P.a —(NA)

Telecommunications

M/s Padma Electronics: 15/4, E.V.R. Road, Puthur, Tiruchirapalli-17. (Tiruchy—Tamil Nadu)—Tuning/Recording Battery level Indicators—10 mill. nos. p.a—(NU)

Transportation

M/s Jaya Hind Industries Ltd; Akurdi, Poona. (Maharashtra) —Fly-Wheel Magnetos—2,00,000 numbers p.a—(SE)

Industrial Machinery

M/s The Indian Sugar & General Engineering Corpn.; P.O. Yamunanagar, Ambala. (Ambala, Haryana)—Centrifugal Machines—60 numbers p a—(NA)

M/s Ingersoll-Rand (India) Pvt. Ltd; 44-Maulana Abdul Gaffar Road, Worli, Bombay. (Bangalore—Karnataka)—Down the Hole Hammer Drills—300 numbers. Blast Hole/Water Well Drill upto 6 numbers—50 nos— Hand Held Light Drills such as Stoppers/Jack Drills/Drifters and Allied Accessories—500 numbers. Carset Bits upto 10 numbers Diameter—6,000 numbers. Heavy Duty Blast Hole Drills—8 nos to 12 nos capacity—24 nos. p.a— (SE/NA)

Mr V.G. Malani, C/O DVS International, A/15, West End, Rao Tula Ram Marg, New Delhi. (Faridabbd—Haryana)—High Speed Packaging Machinery (High Speed filling spouts, automatic sack filling machine, sack sealer sack flattener, sack shaper and turner—120 nos—(NU)

M/s Copper Rollers Pvt. Ltd; Gupta Mills Estate, Reay Road, Bombay. (Bhandup, Bombay, Maharashtra)—Copper Moulded Tubes machined for Continuous Casting Machine for Casting Steel Billets—2,000 numbers—(NA)

Miscellaneous Industries

M/s Hindustan Machine Tools Ltd; 36, Cunningham Road, Bangalore, (Bangalore—Karnataka)—Components for Nuclear Power Reactors (End Fittings and Liner Tubes)—400 sets—(NA)

Industrial Instruments

M/s P. Dalal & Co. Pvt. Ltd; 104, Kakad Chambers, 132, Dr A.B. Road, Worli, Bombay. (Kandla Free Trade Zone, Gujarat)—Rigid Arm Maganetic Stand—20,000 nos Pot Magnet—100,000 nos V. Block—15,000 nos Surface Gauge—20,000 nos Dial Indicator Accessories—210,000 nos Multi Gauging Fixtures—12 nos V. Block with Clamps—10,000 nos Precision Measuring Instruments—3,000 nos · Total—378,012 —nos

M/s Industrial Jewels Pvt. Ltd; 32, Ramjibhai Kamani Marg, Ballard Estate, Bombay. (Bhavnagar, Gujarat)—Watch Jewels —108 lakh nos—(SE)

Scientific Instruments

M/s Philips India Ltd; Shivsagar Estate, Block 'A', Dr Annie Besant Road, Worli, Bombay. (Loni—Kalbhor, Poona, Maharashtra)—Voltage Level Indicators—15,00,000 nos p.a. —(NA)

Chemicals (Other than Fertilizers)

M/s Kavle Ashok V. & Toke D.S., 'Vrushalpana', Yashwant Chambers, 3rd Floor, 18-B, Barucha March, Fort, Bombay—

(Kandla—Gujarat)—PVC floor Tiles—17,50,000 Sq. Mtrs.—(NU)

M/s Earnest Gases Pvt. Ltd; 207, Matsya Industrial Area, Alwar. (Alwar—Rajasthan)—Nitrogen Gas (NA)—0.225 MCM Dissolved Acetylene Gas 0.20 MCM —(SE/NA)

M/s Shah Oxygen Ltd; 64—New Bardan Lane, Bombay, (Thana—Maharashtra)—Dissolved Acetylene Gas—1 lakh Cubic Metres.—(NA)

M/s The Modi Paint & Varnish Works; Prop: Modi Industries Ltd; Modinagar, Meerut. (Ghaziabad—Meerut, UP) —Synthetic Resins—120 tonnes—(SE)

M/s Roger Engineering (P) Ptd; P-26, Transport Depot Road, Calcutta. (Haldia—West Bengal)—Oxygen Gas—1 milli. C. Metres—(NA)

M/s The Asiatic Oxygen & Acetylene Co. Ltd; 8-B.B.D., Bag East, Calcutta. (Kumhari, Durg. M.P.)—Oxygen Gas—1 MCM. D/Acetylene—0.36 MCM—(SE)

M/s Asiatic Oxygen & Acetylene Company Limited, Calcutta (Nagpur—Maharashtra)—Oxygen Gas—1 MCM. D/Acetylene—0.20 MCM—(SE)

M/s Andhra Pradesh State Agro Industries Corpn. Ltd; 10-2-3, A.C. Guards, Hyderabad. (Hyderabad/Guntur, Andhra Pradesh)—Benzene Hexachloride (BHC) Technical—3,000 tonnes—(NU)

M/s Stretch Fibres (India) Ltd; 20-Haines Road, Mahalaxmi, Bombay. (Nagpur—Maharashtra)—Nylon Yarn—4,200 tonnes. —(SE)

M/s Indian Organic Chemicals Limited; Chemicals Division, 6th Floor, New Excelsior Building, Wallace Street, Bombay. (Kolaba—Maharashtra)—Benzaldehyde—300 tonnes. Cinnamic Aldehyde—75 tonnes. Cinnamyl Alcohol—25 tonnes—(NA)

Mr C.R. Bishnoi, 14-Stephen Court, 18-A, Park Street, Calcutta. (West Bengal)—Dalapon (Technical)—50 tonnes Tetradifon (Technical)—15 tonnes (NU)

Dyestuffs

M/s Indian Dyestuff Industries Limited; Mafatlal Centre, Nariman Point, Bombay. (Kalyan, Thana, Maharashtra) —Reactive Dyes—600 tonnes.—(SE)

Drugs & Pharmaceuticals

M/s Abbott Laboratories (India) Pvt. Ltd; 133—Mahatma Gandhi Road, Dombay. (Kurla, Bombay, Maharashtra)—Citric Acid Mixtures Powder—200 kgs—Kaoline Mixture with Pectin —300 kgs—(NA)

M/s Searle (India) Ltd; Ralli House, 21-Reveline Street, Bombay. (Bangalore—Karnataka)—Diosgenin—5 tonnes—(NA)

M/s Ranbaxy Laboratories Limited; Okhla, New Delhi. (Ropar—Punjab)—Inorganic Chemicals (Laboratory Reagents and Analytical Reagents)—40.00 tonnes. Organic Chemicals (Laboratory Reagents and Analytical Reagents)—40.00 tonnes. Indicators and Stains—2.00 tonnes, Electronic Grade Chemicals —5.00 tonnes, Volumetric Solutions—10,000 litres—(NA)

Textiles

M/s The Rajalakshmi Mills Limited; Uppiliapalayam, Singanallur Post, Coimbatoro. (Avanas-hi, Coimbatore, Tamil Nadu)—Cotton Yarn/Staple Fibre Yarn—25,000 spindles. —(SE)

Mr Jaigopal Mehra, C/o M/s Jaishi Ram Mehra & Sons, Partap Bazar, Amritsar. (Backward District—H. Pradesh)—Worsted Woollen Yarn—1200 worsted spindles—(NU)

M/s Andhra Pradesh Fibres Ltd; Block 21, Flat-4, 2nd Floor, Poonam Apartments, Chirag Ali Lane, Hyderabod. (Srikakulam—Andhra Pradesh)—Jute Goods including Gunnies, Hessian Cloth and Jute Twine—15,000 tonnes—(NU)

Paper and Pulp

M/s Narmada Paper & Pulp Mills (P) Ltd; 'Paras', 6, Dr. Bhandari Marg, Indore-3. (Kandla Freed Trade Zone—Gujarat) —Tissue Paper and other Variety of Papers—4,500 tonnes —(NU)

M/s Colour Cartons Ltd; Tiecicon House, Dr. E. Moses Road, Bombay. (Bhandup—Bombay, Maharashtra)—Packing Materials—5,700tonnes—(SE)

Vegetable Oils and Vanaspati

M/s Hyderabad Vanaspati Ltd; 5-9-270, John's Lane, Gunfoundry, Hyderabad. (Moula Ali, Hyderabad, A. Pradesh) Cotton Seed Oil and Minor Seed Oil in terms of cotton seed/ minoroil seed—40,000 tonnes—(NA)

Glass

M/s Indo-Asahi Glass Company Limited, 3-Hungerford Street, Calcutta. (West Bengal)—Heat-Absorbing Sheet Glass and Plain Window Glass—29,000 tonnes. Heat-Absorbing Wired and Figured Glass—16,000 tonnes—(NU)

Ceramics

M/s Venkataraman Gokhale, 419, Narayanpeth, Poona. (Kandla Free Trade Zone, Gujarat)—Bath Tubs—2,400 nos. Showertrays—2,400 nos. Doors—2,000 nos. Partition Elements —2,000 nos—(NU)

M/s Salem Magnesite Pvt. Ltd; 38-Noble Chambers, S.A. Barelvi Road, Bombay. (Salem—Tamil Nadu)—Dead Burnt Magnesite—30,000 tonnes.—(SE)

Cement and Gypsum Products

M/s The Associated Cement Companies Limited; Cement House, 121, Maharshi Karve Road, Bombay. (Junagarh—Gujarat)—Portland Cement—4,00,000 tonnes—(SE)

M/s Assam Industrial Development Corporation Ltd; Kannachal Road, Silpukhuri, Gauhati-3. (Gauhati—Assam)—Asbestors Cement Products—36,000 tonnes, Pipes & Fittings—4,000 tonnes—(NU)

Timber Products

M/s Royal Bengal Match Factory; Haldia, Midnapur. (Midnapur—West Bengal)—Complete Safety Match Boxes with Stricks—90,000 Gross Match Boxes—(NU)

Changes in the Names of Owners & Undertakings

(Information pertains to particular licences only)

From M/s York India Limited to M/s Snowtemp Engg. Company Limited, Faridabad.

From Mr K.C. Sethi to M/s Orient Plywood & Veneering Industries Limited.

From M/s Nandlal Bhandari Mills Ltd; Indore to M/s Hope Textiles Limited.

From M/s The Western India Match Company Limited to M/s WIMCO Limited.

From M/s Ashok Steel Corporation Pvt. Ltd to M/s Ashok Steel Corporation Limited.

From M/s Metropolitan Instruments Limited to M/s Keltron Counters Limited.

Form M/s Haryana Oxygen Pvt. Limited to M/s Haryana Oxygen Limited.

From M/s Kalindi Woollen Mills (P) Ltd to M/s Kalindi Woollen Mills Limited.

From M/s Nestler Boilers Pvt. Limited to M/s Nestler Boilers Limited.

From M/s G. Varadan Pvt. Ltd; Bombay to M/s Dandy Roals India Private Limited, Bangalore.

From M/s Harduaganj Cooperative Sugar Factory Limited, Aligarh to M/s Kisan Sahakari Chini Mills Limited, Aligarh.

From M/s The Balrampur Sugar Co. Limited to M/s Balrampur Chini Mills Limited

From M/s Adoni Vanaspati Manufacturers, Adoni to M/s Adoni Oxygen Bottlers, Adoni.

From M/s Supreme Rubber Reclaimers Pvt. Ltd to M/s Supreme Rubber Reclaimers Limited.

From M/s Avalon Products (P) Limited to M/s International Instruments (P) Limited.

From M/s K.T. Steel Industries Pvt. Ltd to M/s Khushiram Tarachand Pvt. Limited.

From M/s The Murarka Paint & Varnish Works (P) Limited, Calcutta to M/s The Murarka Paint & Varnish Works Limited.

From M/s Steels Worth Pvt. Limited to M/s Steelsworth Limited.

From M/s Zenith Steel Pipes Ltd to M/s Zenith Steel Pipes & Industries Ltd.

From M/s EMA-India Induction Heating Co. (P) Ltd to M/s EMA-India Limited, Kanpur.

From M/s The Western India Match Company Limited to M/s WIMCO Limited, Bombay.

Licences Revoked, Lapsed or Cancelled

(Information pertains to particular licences only)

M/s Tanza Beverages Pvt. Ltd; New Delhi—Soft Drinks, etc. (Cancelled)

M/s Standard Batteries Ltd; Madras-32—Krypton Filled Miners Cap Lamps. (Revoked)

Shri Jagdish Prasad, Lucknow (UP)—Scooters. (Cancelled)

Shri Ram A. Gupta, Dir., M/s Computech Pvt. Ltd; New Delhi—Electronic Desk Calculators. (Cancelled)

M/s Dulichand Omraolall, Calcutta—Vanaspati. (Revoked)

Shri Harsh Kumar Agrawal, New Delhi—Vanaspati. (Revoked)

M/s Bombay Soap Factory, Bombay—Vanaspathi. (Revoked)

M/s U.P. Gases (Pvt.) Ltd; Agra-4—Oxygen Gas. (Revoked)

Shri R.K. Jhunjhunwala, Bombay—Housing, Class Sealed Terminals etc. & Transistors Headers. (Closed)

The Executive Director, J.K. Steel & Industries Ltd; New Delhi—Cold Rolled Strips. (Revoked)

M/s Hub Bolts & Nuts India Ltd; Bombay—Wheel Bolts, Nuts, Axle Stud Sleeves & Nuts and Oil Pumps Spares for Automobiles. (Revoked)

M/s Rattan Lal Prem Chand Engineering Works, Kurukhetra—Steel Pipes & Tubes. (Cancelled)

M/s Meena Gases Limited, Delhi—Oxygen & Dissolved Acetylene Gases. (Revoked)

Marsden Spinning Manufacturing Co. Ltd; Ahmedabad-1—(i) Screw Printing Equipment; (ii) 3/Bowl Foulards (Padding Mangles); (iii) Hot Flue; (iv) Beam carrying trolleys, reed cleaning machines and other auxilary weaving machines. (Revoked)

Marsden Spinning Manufacturing Co. Ltd; Ahmedabad-1—Blanket Washers. (Revoked)

Marsden Spinning Manufacturing Co. Ltd; Ahmedabad-1—Evercleaners for Carding Engines (Revoked)

Marsden Spinning Manufacturing Co. Ltd; Ahmedabad-1—Fibre Meter (Fibre Blending Machinery, Blow Room Machinery) (Revoked)

M/s Avlon Products (P) Ltd; Unity Buildings, Bangalore—Wiper Motors, Safety Flashers and Special Locks. (Cancelled)

Shri S.V. Sivalinga Nadar, Madras—Vanaspati. (Revoked)

M/s Ruttansha Electronics (P) Ltd; Bombay—Calculators & Oscilloscopes. (Cancelled)

Letters of Intent Rejected, Cancelled or Lapsed

(Information pertains to particular Letters of Intent only)

Mr P.L. Kohli, New Delhi—Wire Drawing Diamond Dies. (Cancelled)

M/s The Indian Sugar & General Engineering Corpn., New Delhi—Anion & Cation Exchange Resins. (Lapsed)

Shri V.N. Seth, C/O Jagat Talkies Distributors. Delhi—Connectors. (Closed)

M/s The Kerala Ceramics Ltd; Kundara, Kerala—Chinaware & Pottery. (Lapsed)

Mr S.K. Malik, New Delhi—Cotton Seed Oil. (Lapsed)

Mr Madan Gopal, New Delhi—Gear for Automobiles. (Closed)

M/s Jain Brothers, Delhi—Cylinder Heads and Crankshafts. (Closed)

Mr U.K. Deshmukh, Poona—Not indicated (Cancelled)

M/s Flour & Food Ltd; Indore—Protein Insolate. (Lapsed)

Shri P.C. Venkataramulu, Kurnool—Cotton Seed Oil. (Lapsed)

M/s Haryana Industrial Gases Corporation, Chandigarh—Carbon Dioxide Gas. (Lapsed)

M/s Repetition Parts (P) Ltd; Bombay—Not indicated. (Cancelled)

M/s Magnesite & Minerals Ltd; Calcutta—Dead Burnt Magnesite. (Cancelled)

M/s Indian Furniture Works, Bangalore—Industrial Gases. (Lapsed)

M/s Sylvania & Laxman Ltd; 68/2, Najafgarh Road, New Delhi—Argon Gas. (Lapsed)

M/s Jagatjit Industries Ltd; New Delhi—Soya Protein Isolate, etc. (Lapsed)

M/s Haryana Bottling Ltd; New Delhi—Soft Drinks. (Lapsed)

Shri G.S. Gill, 1, Cornwall Gardens London S.W. 7 (UK) —Infant Food. (Lapsed)

M/s UP State Industrial Development Corpn. Ltd; Kanpur—Automobile Shock Absorbers. (Cancelled)

M/s Sartech Pvt. Ltd; Bombay—Gears. (Cancelled)

Mr S.N. Dhawan, C/o M/s Machines & Tools Corporation, Delhi—Cotton Seed Oil. (Lapsed)

Shri Ashok Kumar Goel, New Delhi—Cotton Seed Oil (Lapsed)

M/s Jayant Oil Mills (P) Ltd; Hyderabad—Castor Oil and its bye-products. (Lapsed)

M/s J. Shanti Nath & Co., New Delhi—Freeze Dried Fruits, etc. (Lapsed)

M/s Ashok Industries, Ratlam—Cotton Seed Oil. (Lapsed)

M/s Polisetty Somasundram (P) Ltd; Guntor—Castor Oil & its bye-products. (Lapsed)

Mr P.C. Mutha, Ujjain (MP)—Cotton Seed Oil. (Lapsed)

Mr J.C. Tandon, New Delhi—Cotton Seed Oil. (Lapsed)

M/s Keeran Vegetable Products Ltd; Bhiwani—Cotton Seed Oil. (Lapsed)

M/s Associated Printers (Madras) Private Ltd; Madras-7—Overhead Projectors & Transparency Makers, etc. (Cancelled)

M/s The New India Industries Ltd; Baroda—Flat Wire Heads. (Cancelled)

M/s Rajasthan Oil Industries, New Delhi—Cotton Seed Oil, (Lapsed)

M/s General Foods, New Delhi—Mango Powder, etc. (Lapsed)

M/s Konkan Chemicals Pvt. Ltd; Bombay—Phenol. (Cancelled)

M/s Kidarsons Industries, Pvt. Ltd: New Delhi—Cold Rolled Strips. (Cancelled)

M/s Laxmi Industries, Bombay—Ceramic Capacitors. (Closed)

Mr Hemant Kumar Hasmukhlal Shroff, Bombay—Clutch Assembly. (Closed)

M/s Synthetics & Chemicals Ltd; Bombay—Conveyor Belting. (Closed)

M/s Arun Lamp Industry, Howrah, West Bengal—Lead-In-Wire. (Lapsed)

Mr Naranglal Agarwal, Hyderabad—Ball & Roller Bearings. (Cancelled)

The Southern Gas Ltd; Cochin—Industrial Gases. (Lapsed)

M/s Shardlow India Ltd; Madras—Crankshaft & other Forgings. (Cancelled)

Shri Ramesh Kumar Sharma, Calcutta-16—Lamp Caps. (Lapsed)

M/s Lamps & Glass Component, New Delhi—Lamp Caps. (Lapsed)

M/s Uttar Pradesh Poorvanchal Vikas Nigam Ltd; Faizabad —GLS Lamps. (Lapsed)

Lt. Col. L.K. Malhotra, New Delhi—(i) PVC Battery Separators (ii) and Battery Containers (Lapsed)

M/s National Glass Insulators, Anand, Gujarat—High Tension Glass Insulators. (Cancelled)

M/s Beekay Enterprises, Calcutta—Lamp Caps. (Lapsed)

Smt. Nandrani A. Gupta, Lonavala (Poona)—Fluorescent Powder. (Lapsed)

M/s Pradip Lamp Works, Patna—Tungsten Filaments. (Lapsed)

Mr A.M. Parekh, Bombay—Sapphire Points Stylii. (Lapsed)

Mr M.A. Palaniappan Chettiar, Salem—Fibre Glass. (Cancelled)

Mr P. Obul Reddy, Madras—Fibre Glass. (Cancelled)

Mr Raj Kumar Parshotam Nath Jain, New Delhi—Fibre Glass. (Cancelled)

M/s Industrial Aids, Madras—Fibre Glass. (Cancelled)

M/s Rahi Glass Ltd; Promoter: Shri N. Chandra, New Delhi—Fibre Glass. (Cancelled)

M/s Hanuman Vitamin Food Pvt. Ltd: Bombay—High Protein Foods & High Protein Beverage. (Lapsed)

The Development Corpn. of Vidarbha Ltd: Nagpur—H.T. Porcelain Insulators. (Lapsed)

M/s Southern Industrial Corporation Limited, Madras—Bolts & Screw Manufacturing Machinery. (Cancelled)

Mr M.K. Saraswat, Vasco-Da-Gama—Industrial Gases. (Lapsed)

M/s U.P. State Industrial Development Corporation Limited, Kanpur—Body Building of Integral Body Design. (Cancelled)

Mr Vasantlal Gafurchand Mehta, Bombay—Automobile Clutch Plates, etc. (Cancelled)

M/s Ultramarine & Pigment Ltd; Bombay—Citric Acid. (Lapsed)

Mr M.P. Goenka, Calcutta—Formic Acid & Oxalic Acid. (Cancelled)

ASSOCIATION MEETING

Indian Sugar Mills Association

Problems and Prospects of the Industry

Extracts from the Presidential Address of

Shri Madhava Prasad, at the 43rd Annual General Meeting of the Indian Sugar Mills Association, held on Thursday the 26th August, 1976, at New Delhi.

DURING THE financial year ending March, 1976, the performance of the Sugar Industry in the field of exports has been indeed spectacular; sugar exports totalling to 12.02 lakh tonnes, earning a foreign exchange of about Rs 475 crores, the highest for any commodity exported during the year, thus helping the nation towards better balance of payments position. This also included a rupee profit for the Exchequer of about Rs 155 crores. Unlike many other commodities, the increase in the foreign exchange from sugar exports was due mainly to the increase in the quantum of exports.

Undeniably, such large exports became possible due to the record sugar output of 48 lakh tonnes achieved during the 1974-75 season. It is unfortunate that there has been a sharp decline in the sugar output this year which is now finally placed around 42.6 lakh tonnes showing a drop of 5.4 lakh tonnes from the last season's record output. Its immediate impact has been felt on our ability to maintain exports and Government have been compelled to reduce the export allocations to a bare six lakh tonnes. Such set back in output has been caused primarily due to large scale diversion of cane to khandsari and gur. The absence of excise rebates was another serious handicap this year. Consequently, sugar factories could not start early with lower recoveries, as compensatory excise rebates were not there. The sugar output of 2.55 lakh tonnes achieved this year in the initial months of October and November is the lowest ever produced over the past 7 years during these months. The average variation in the output of gur and khandsari taken together during the 15 year period from 1960-61 to 1974-75 has been only marginal being 1.4%. In case of sugar the variations are as high as 6.2% almost 4.5 times that of gur and khandsari. With numerous advantages which khandsari now enjoy, their production has been going up from year to year. As long as its supplies are in abundance, free sugar rules at highly uneconomical rates and factories have to dispose of their free sugar quotas at such prices. It is only with the khandsari pressure diminishing that the free markets tend to steady up. Unfortunately, this gives a wrong impression and provokes public criticism against the industry.

The larger interests of the industry would be served not by occasional price spurts in the free market, but only by a sustained and steady level of prices throughout the year. Considering the large scale production of khandsari sugar, if price stability in free markets has to be ensured, it appears, the present policy of monthly quota releases would need to be strengthened further with some regulatory measures on khandsari supplies as well.

In fact, it would be desirable for the Government to consider an integrated and coordinated policy covering all the aspects of the working of gur and khandsari industries. A comprehensive sugar policy is now an urgent necessity which would apply equally and uniformly to all the three sweetening agents to maintain production and price stability on the one hand and maximise sugar exports on the other.

Free market prices cannot be considered in isolation. They have to be reckoned with the highly unrealistic and uneconomic levy prices. The industry has to deliver 65% of its output at such prices. It is hoped that the new cost schedules to be prepared by the Bureau of Industrial Costs & Prices will be found realistic and will meet the needs of the situation.

With an uneconomic price structure to the industry over the period, its profitability has been seriously undermined. The position has been progressively deteriorating and the percentage of loss making units has been going up. From 23% in 1972-73, it went up to 47% in 1973-74. During 1974-75, their percentage is as high as 66%. On Hon'ble Finance Minister's own admission in the Lok Sabha on August 10, 1976, the prices allowed to the industry were unremunerative which had rendered many sugar mills "sick".

The Sugar Enquiry Commission went into the question of sickness in the industry in depth. It has conclusively established that the sickness was more or less uniformly spread in the old as well as new units, in all the sectors of the industry and units located in every region of the country, and there was no ground to suggest that on an overall basis either one or the other sector or one or the other region was distinctly superior. To check further spread of sickness, a remunerative price structure to the industry has to be ensured.

The rate at which sickness has been spreading in the new units is indeed alarming. On the admission of the Chairman, Maharashtra Rajya Sahakari Sakhar Karkhana Sangh out of 42 cooperative sugar factories working in the State, 22 had already gone sick and this process was continuing. In his recent study Shri N.S. Kharkar, a sugar technologist from the DSTA has concluded that "out of 32 co-operative factories under study, 13 factories had together unduly expanded their crushing capacity by a gross total of more than 8,000 tonnes per day crushing, even though they had inadequate assured cane from their members, for crushing for a period of 150 days. Some of these factories have been established since last 10 to 15 years and it is pertinent to note that they still could not develop enough cane in their allocated area of operation, even for their initial crushing capacity. This only shows that either the selection of the site for these factories was wrong or at least the expansion in their crushing capacity was not warranted. The tremendous capital invested on these expansions can be considered as a waste of public money". Shri Kharkar has therefore further concluded that the work on all the proposed sugar factories, where erection has not yet started, should be suspended immediately, till all the existing factories in production are assured adequate cane for crushing for 150 days.

What has today assumed serious proportions in Maharashtra is gradually spreading in other States also. Licences for new cooperative factories/public sector factories have been issued without regard to the cane availability in the area. In most cases such licences have been issued for sites, in close proximity of the existing units disregarding the Government's own declared assurance that new units would not be located within a radius of 50 kilometres of the existing units.

It is necessary that a Central independent authority is created to hear grievances of the affected factories and till this authority has disposed of the same, new licences should not be granted. Even the licences already granted, but where no tangible steps have been taken to implement the same, these should be kept in abeyance pending investigation by the said authority.

For maximisation of sugar output, a policy of excise rebates on the pattern, as recommended by the APC should be revived with the modification that the earlier period of October/November should constitute a separate period. This is essential to induce early start by factories and prevent diversion to gur and khandsari when growers are anxious to vacate their fields for sowing other crops like wheat. Early announcement of adequate excise rebates would have a salutory effect on sugar markets also as that would restore the confidence of the markets in the continued adequate supplies of sugar for free sale.

For stepping up sugar output, it is equally significant and urgent that the excise duty on free sugar which has been progressively raised to the high rate of 45% ad valorem, should be reduced to minimise the present tax disparity between sugar, khandsari and gur to prevent diversion of cane from factory areas. Even Government's revenue considerations and the need for earning foreign exchange would underline the urgency for such reduction.

The statutory minimum cane price for 1976-77 should be raised from the level of Rs 8.50 to Rs 10 per quintal linked to a basic recovery of 8.5%. While it is true that the actual cane prices paid by factories are higher but it is this price to which grower looks for stability and it goes to influence the cane acreage materially.

It is a happy augury that during the fifth Plan period Government of India have prepared a programme for development of sugarcane. However, the financial outlay which was initially contemplated at Rs 27 crores but subsequently scaled down to only about Rs 11 crores is too low having regard to the magnitude of the problem and the need for developing vast areas. The outlay needs to be revised suitably consistent with the task involved. Similarly, there is need for better coordination between the various research institutes in the country so as to ensure that fruits of research reach the fields expeditiously.

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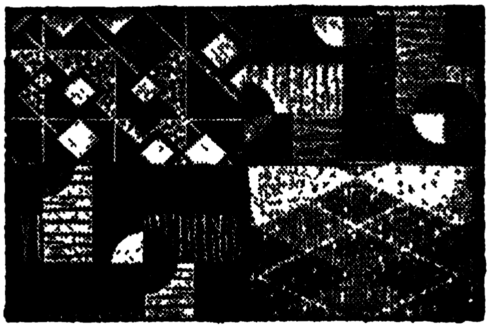

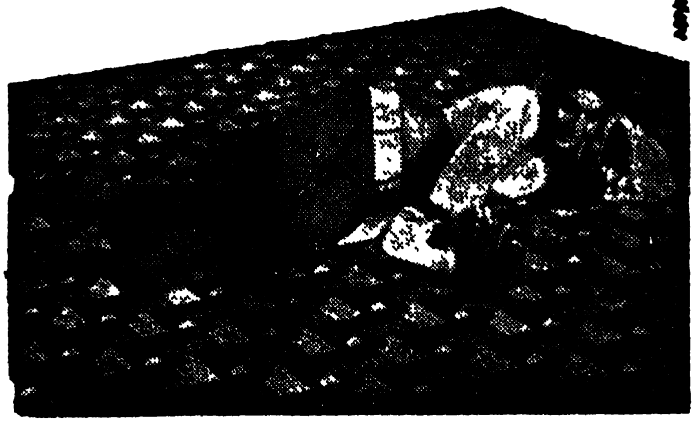

World demand and India's share in engineering exports

AT A recent conference of top manufacturers and exporters held in the capital, Mr. R.C. Maheshwari, chairman, Engineering Export Promotion Council presented "An Approach Paper to Export Strategy" which showed that India's share was pathetically low even in sectors which are currently saddled with persistent capacity under-utilisation. Through a series of examples, he emphasised the point that in this country there was need for increased utilisation of idle capacity if the targets set for exports for the coming years were to be met. The tables below give India's share in the world markets for different types of engineering products :

MAJOR IMPORTING COUNTRIES FOR SPECIFIED PRODUCTS IN 1973

Major importing countries	US $ million	India's share (Million $)
Welded Steel Tubes		
USA	210.3	1.1
West Germany	108.2	0.5
Netherlands	86.1	nil
France	80.1	0.2
Sweden	60.0	nil
UK	115.4	1.9
Belgium./Lux	30.1	0.2
Canada	23.5	nil
Denmark	47.4	0.1
Switzerland	49.8	nil
Finland	27.8	nil
Austria	14.2	nil
Norway	18.9	nil
Australia	49.5	0.3
New Zealand	9.8	0.2
Italy	22.1	nil
Singapore	9.8	0.05
Ireland	7.3	nil
Nigeria	4.6	0.1
Greece	11.9	nil
Brazil	6.1	nil
Morocco	4.1	nil
Steel Tube Fittings		
Netherlands	40.7	nil
West Germany	45.1	nil
Canada	39.8	neg
France	43.3	neg

Major importing countries	US$ million	India's share (Million $)
USA	24.8	nil
Belgium./Lux	29.3	neg
Italy	28.3	nil
UK	18.0	neg
Denmark	17.3	nil
Switzerland	16.3	nil
Sweden	15.0	nil
Spain	10.7	nil
Kuwait	8.9	0.02
Nigeria	7.2	0.02
Indonesia	13.9	0.02
Fabricated Steel Structurals		
West Germany	158.7	nil
Netherlands	80.7	nil
Belgium./Lux	54.4	nil
France	85.8	nil
USA	19.3	2.3
Iran	25.4(1972)	0.02
Libya	36.4	0.06
Singapore	6.1	0.06
Hong Kong	7.1	neg
Nigeria	6.5	neg
Zambia	2.4	0.01
Thailand	3.4	0.05
Iraq	11.0	0.08
Canada	42.5	neg
Switzerland	46.4	nil
Sweden	25.4	nil
South Korea	9.3	nil
Yugoslavia	35.1	nil
Turkey	30.9	nil
UK	44.4	neg
Brazil	23.9	nil
Austria	23.2	nil
Saudi Arabia	13 1	neg

Note: The importing countries considered in the table account for nearly 55.26 per cent of the total world imports.

Wire Ropes		
USA	134.3	0.7
West Germany	35.7	nil
France	34.0	nil
Netherlands	25.3	nil
Sweden	17.5	nil

—Contd

Major importing countries	US$ million	India's share Million $)
UK	14.5	0.01
Italy	11.3	nil
Brazil	5.1	nil
Mexico	4.4	nil

Bolts, Nuts, Rivets and Washers

USA	217.4	0.3
Canada	93.5	0.02
France	76.1	nil
West Germany	66.0	0.8
Netherlands	46.3	nil
Belgium./Lux	36.0	nil
UK	30.0	0.02
Sweden	27.4	nil
Switzerland	22.3	nil
Italy	18.3	nil
Denmark	18.1	nil

Note: The countries considered in the table account for nearly 90 per cent of total world imports.

Builders Hardware

Canada	65.4	neg
USA	62.7	0.1
France	53.7	nil
West Germany	51.4	0.02
Netherlands	41.8	0.05
Belgium./Lux	33.7	nil
Sweden	28.4	neg
Austria	26.6	nil
Switzerland	23.6	nil
UK	25.0	0.4

Note : The world market export and import figures include base metal fittings and mountings of types, largely used in furniture and doors etc. such as hinges, tower bolts, fittings and miscellaneous items.

The countries considered here account for approx. 75 per cent of total world imports.

Electric Wires and Cables

USA	132.8	nil
West Germany	89.0	neg
Netherlands	62.1	nil
Belgium./Lux	60.7	nil
France	58.8	nil
Iran	39.1	3.4
Sweden	35.7	nil
South Africa	29.6	nil
UK	34.6	0.04
Singapore	23.5	1.00
Denmark	30.7	nil
Canada	26.2	nil
Hong Kong	20.4	0.5
Italy	22.3	nil
Kuwait	16.0	0.4
Nigeria	15.3	nil
Iraq	7.8	0.05
Thailand	6.6	neg
Egypt	5.7	nil

Note : The importing countries considered in the table account for nearly 63.3 per cent of the total world imports.

Major importing countries	US$ million	India's share (Milion $)
Batteries—Dry and Storage		
West Germany	44.8	0.2
USA	39.1	nil
Netherlands	32.4	neg
Canada	23.2	nil
France	32.5	nil
Italy	28.2	nil
Belgium/Lux	25.8	neg
U K	20.1	0.01
Switzerland	13.9	nil
Sweden	12.7	nil
Singapore	5.6	neg
Hong Kong	6.0	neg
Indonesia	3.5	nil
Thailand	1.9	neg
Sudan	1.9	0.3
Yugoslavia	3.0	nil
Zambia	1.8	neg
Kuwait	1.7	0.04
Egypt	1.8	nill
Tunisia	1.7	niil

Note: The countries considered in the table account for nearly 61.5 per cent of the total world imports.

(US $ million)

Major importing countries	Major exporting countries					
	USA (18.96%) 219.1	France (18.2%) 210.2	Japan (16.1%) 186.3	West Germany (13 6%) 157.7	Canada (6.6%) 76.1	India 6.4
Railway Locomotives, Wagons, Coaches and Parts thereof						
Yugoslavia	5.3	25.8	—	15.6	24.7	2.9
Brazil	31.1	—	3.5	1.2	—	Nil
Mexico	47.0	0.9	0.2	0.01	5.8	Nil
South Africa	31.0	0.7	4.1	3.4	0.7	Nil
West Germany	0.2	18.6	—	—	—	Nil
USA	—	22.2	74.7	0.5	18.1	Nil
Belgium & Lux	0.8	14.8	0.03	11.3	—	Nil
Netherlands	0.1	0.7	0.7	32.0	—	Nil
France	0.4	—	0.2	13.9	—	0.1
Canada	34.4	0.4	0.2	0.02	—	Nil
India	7.2	1.2	10.9	3.8	0.8	
Argentina	3.1	0.2	27.8	0.4	0.01	Nil
Italy	2.5	5.1	0.03	7.6	—	Nil
Sweden	0.02	2.9	—	8.7	0.02	Nil
South Korea	2.2	10.2	4.6	0.03	—	Nil
Denmark	0.02	0.7	—	5.4	—	Nil
Austria	—	1.7	—	8.2	—	Nil
Algeria	8.5	3.2	—	0.5	—	Nil
UK	0.2	0.8	0.9	0.7	0.02	Neg

Note: The exporting countries considered in the table account for 73.5 per cent of total world exports.
The importing countries considered in the table account for 71.7 per cent of total world imports.

(US $ million)

Major importing countries	Major exporting countries: West Germany (38.1%) 1470	USA (12.8%) 496	Switzerland (8.4%) 326	Japan (8.0%) 308	UK (7.4%) 285	India 4.1
Machine Tools						
France	166.5	43.4	33.8	1.75	17.8	Nil
Canada	9.6	86.7	1.5	4.8	15.3	0.05
Italy	119.4	18.2	23.0	1.3	11.3	Neg
West Germany	—	15.4	48.2	7.9	22.7	0.3
USA	55.4	—	21.7	24.00	24.2	0.4
UK	66.5	23.5	23.8	2.8	—	0.4
Brazil	57.8	55.7	10.6	14.9	8.5	Nil
Belgium & Lux.	72.2	9.0	3·7	2.3	6.3	Neg
Japan	32.2	45.8	15.1	—	3.5	0.2
Spain	55.5	18.3	10.6	0.5	15.8	Nil
South Africa	28.2	7.3	1.7	34.5	24.1	Nil
Sweden	76.3	5.4	7.4	3.5	10 0	0.2
Yugoslavia	38.6	4.9	4.3	0.1	2.75	Nil
Netherlands	46.8	6.4	4.0	1.7	6.0	0.2
Austria	44.0	4.6	9.5	2.6	3.1	Nil
Switzerland	56.0	2.8	—	0.6	6.9	Nil

Note: The exporting countries considered in the table account for nearly 75 per cent of the total world exports.

The importing countries considered in the table account for nearly 75 per cent of the total world imports.

(US $ million)

Major importing countries	Major exporting countries: West Germany (25.6%) 482.8	USA (15.4%) 290.4	Sweden (9.6%) 180.3	U.K. (8.75%) 164.8	Japan (8.5%) 160.9	France (6.2%) 116.6	India 10.1
Hand Tools, Cutting Tools and Mining Tools							
West Germany	—	14.1	18.9	8.9	9.2	20.4	1.0
USA	20.4	—	11.0	12.9	61.0	2.9	1.7
France	58.1	10.8	20.2	8.2	1.7	—	0.2
Canada	4.4	84.1	3.7	11.5	9.5	0.6	0.4
UK	22.0	19.6	18.8	—	5.5	4.0	0.9
Italy	47.5	6.4	16.3	5.3	1.7	9.8	Neg
Netherlands	49.0	8.4	5.2	8.4	4.2	3.9	0.5
Belgium & Lux.	31.6	9.1	3.7	4.4	1.0	9.8	0.09
Switzerland	38.8	3.7	3.7	3.3	1.0	3.3	0.02
Australia	5.1	11.1	4.0	10.4	6.5	0.1	Nil
Sweden	18.3	3.7	—	6.6	2.0	2.1	0.4
South Africa	11.8	9.7	3.4	11.5	3.5	1.0	Nil
Japan	5.0	11.9	5.8	2.8	—	1.2	0.3
Brazil	6.3	9.1	2.0	1.6	1.3	0.7	0.01
Austria	23.5	0.7	3.0	1.5	0.4	0.7	0.1
Denmark	13.6	1.0	8.6	2.6	1.1	0.6	0.02

Note: The exporting countries considered in the table account for nearly 75 per cent of the total world exports.

The importing countries considered in the table account for nearly 70 per cent of the total world imports.

(US $ Million)

Major importing countries	Major exporting countries: West Germany (21.8%) 311.4	Japan (14.5%) 207.6	UK (11.5%) 164.1	France (11.0%) 157.9	USA (8.1%) 116.1	Italy (6.9%) 98.1	Netherlands (5.1%) 72.6	India 16.9
Bicycles and Parts								
USA	24.9	121.1	27.5	40.8	—	15.6	6.6	0.6
Canada	2.7	18.3	9.5	6.6	82.0	2.0	0.3	0.07
Netherlands	60.0	0.8	31.3	12.3	0.4	3.1	—	0.02
West Germany	—	2.9	2.8	16.8	0.4	17.3	30.9	0.07
France	37.8	1.4	11.6	—	1.3	15.9	7.2	0.2
Belgium & Lux.	23.1	1.1	8.3	16.4	0.7	3.2	19.0	0.1
Switzerland	26.6	0.5	2.4	4.9	—	2.5	1.0	Neg
Sweden	14.5	0.5	5.1	1.1	0.2	0.6	0.3	Neg
Italy	17.4	0.2	0.9	12.0	0.3	—	1.2	0.4
Denmark	9.5	0.3	7.7	0.9	0.03	0.9	0.2	Nil
UK	6.6	0.6	—	8.2	1.0	2.5	1.6	0.3
Austria	25.7	5.2	1.7	3.5	0.4	7.4	0.8	Nil
Nigeria	2.4	0.8	10.1	0.3	0.2	0.5	0.03	3.0

Note : The seven developed countries account for about 79 per cent of total world exports.

The importing countries considered in the table account for about 78 per cent of total world imports.

(US $ million)

Major importing countries	West Germany (24.4%) 1495.3	USA (17.5%) 1071.3	France (10.55%) 645.6	Japan (10%) 612	UK (7.3%) 447.4	Switzerland (4.8%) 295	India 6.7
Electric Motors, Transformers, Switchgears Etc.							
West Germany	.	44.9	97.3	20 6	17.4	54.4	0 8
USA	47.7	.	18.8	96.5	20.9	31.1	0 01
France	137.7	38.8	—	4.5	16 4	18.8	Neg
Italy	150 3	23.1	52.8	8.7	9.0	15.3	Nil
UK	74.6	59.7	37.2	13.1	—	13 6	0 1
Netherlands	159.3	20.2	34.4	3.6	16 6	13 0	Nil
Canada	9 5	246.8	8.2	13.1	26 1	5.1	Nil
Belgium & Lux	103.0	12 0	56.8	2.5	7.6	6.6	Nil
Sweden	88.5	10.9	9.1	2.5	13.4	14.8	0 03
Switzerland	103.1	12.5	16.5	4.9	6 6	- -	0 01
Brazil	25.4	43.2	17.5	16.6	2.1	7.5	Neg
South Africa	23.6	18.9	9.5	19.3	41.0	7.4	Nil
Japan	11.6	97.9	4.5	—	1.4	4.0	Neg
Austria	94.0	0.6	2.6	1.0	1.3	14.4	Nil
Denmark	53.3	5.3	4.0	0.6	8.3	11.8	Nil
Spain	39.1	15 0	24.6	3.4	6.1	7.3	Nil
Mexico	4.5	105.0	5.7	19.9	1.2	2.3	Nil
Australia	15.1	11.2	1.7	16 1	21.8	3.7	0 07
Norway	31.2	1.7	3.6	1 0	4.1	5.8	Nil
Finland	24.8	2.7	2.5	0.2	2.8	3.8	Nil

Note: The exporting countries considered in the trade account for 75 per cent of total world export in aggregate.
The importing countries considered in the table account for 75 per cent of total world export in aggregate.

(US $ million)

Major importing countries	West Germany (34 1%) 1747.6	Switzerland (12.8%) 653.3	Japan (12.7%) 650.9	UK (9.3%) 476.5	USA (7.5%) 383.6	India 5.8
Jute, Textile including Knitting and Sewing Machines, Leather including Shoe Making Machinery and Parts :						
USA	205.1	64.1	92.1	89.6	—	0 05
Italy	150 1	58.1	105.4	18.5	18.0	Nil
France	132.0	44.9	8.3	20.0	10.8	0.02
UK	87.4	42.7	18.6	- - -	26.1	0.2
West Germany	—	57.8	28.2	39.1	21.8	0.1
Japan	72.4	25.9	- —	12.7	23.0	0.07
South Korea	9.2	5.1	15.6	7.3	7.7	0 5
Brazil	58.7	19 0	16.0	13·4	15.3	Neg
Spain	61.3	22 2	1.6	9.4	7.6	Neg
Canada	13.3	7.7	7.4	15.4	61.7	Neg
Turkey	61.8	36.1	2.0	12.3	7.4	Neg
Belgium & Lux	53.9	14.1	1.8	9 0	5.0	Neg
Iran	44.9	8.8	5.9	7.5	4.1	0.1
Mexico	31.0	4.8	8.9	5.5	23.0	Nil
Indonesia	11.1	2.6	51.1	4.1	4.4	0.1
Yugoslavia	43.4	10 1	1.0	7.9	1.2	0 03
Netherlands	51.7	8.0	3.1	7.9	4.8	Nil
Portugal	28.9	19.1	1.1	6.0	1.5	Nil
Thailand	11.5	5.8	33.3	6.9	4.2	0 06
Switzerland	56.1	—	1.9	6 3	3.7	Nil

Note: The exporting countries considered in the table account for 76 per cent of total world exports.
The importing countries considered in the table account for 75 per cent of total world imports

(US $ million)

Major importing countries	Japan (29.6%) 2659.4	West Germany (14.49%) 1301.8	USA (11.82%) 1061.9	Sweden (5.07%) 455.5	UK (4.83%) 434.2	Belgium & Lux. (4.74%) 426.3	Italy (4.35%) 391.2	India 5.5
Electronic Components								
USA	1176.5	27.9	—	8.6	18.6	1.8	6·9	0.07
UK	177.0	76.5	75.1	37.4	—	5.4	32.4	1.5
West Germany	167.8	--	50.4	4.7	16.5	109.1	89.1	0.3
Canada	128.1	5.1	234.4	5.1	24.5	0.2	0.27	Neg
Netherlands	56.1	172.0	15.5	16.6	18.1	133.0	29.9	0.3
France	13.4	96.0	30.0	2.1	15.4	47.8	29.8	0.04
Belgium & Lux.	55.0	122.6	14.0	1.2	13.1	—	18.0	0.04
Itlay	14.9	121.1	30.9	28.1	11.5	8.0	--	0.06
Switzerland	41.8	106.6	15.3	4.1	7.0	22.1	10.5	0.06
Sweden	20.1	50.7	6.7	- —	12.6	2.1	9.4	0.02
Hong Kong	60.7	30.8	11.9	0.8	16.9	0.08	0.3	0.02
Brazil	36.0	17.7	65.4	45.1	6.7	4.0	10.0	0.03
Denmark	5.2	23.7	6.0	50.7	15.3	3.2	2.2	Neg
Austria	6.4	67.3	1.7	2.6	5.4	3.4	7.4	Neg
Spain	21.2	15.7	19.0	32.4	10.1	1.0	26.8	Neg

Note: The exporting countries considered in the table account for nearly 75 per cent of the total world exports.
The importing countries considered in the table account for nearly 75 per cent of the total world imports.

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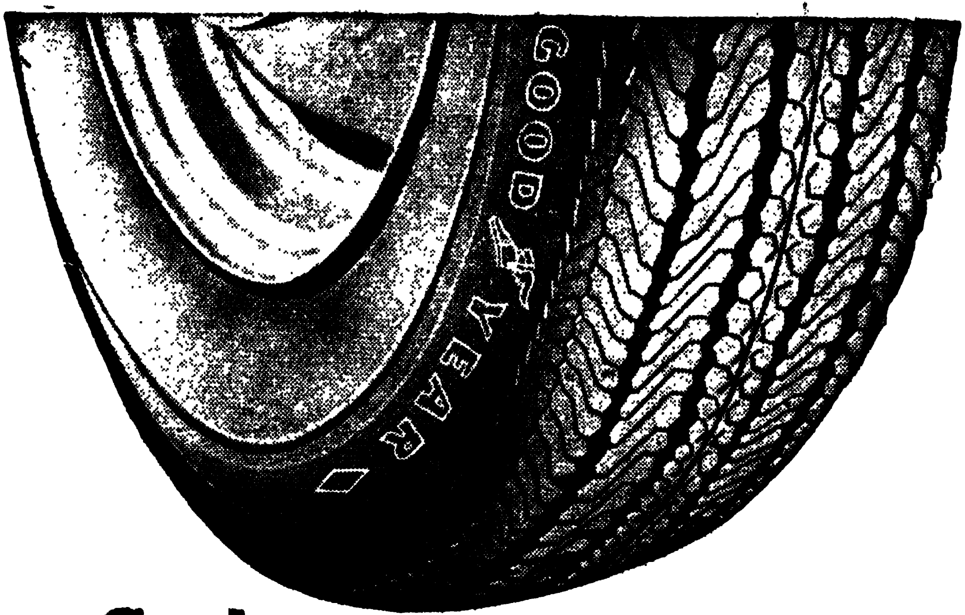

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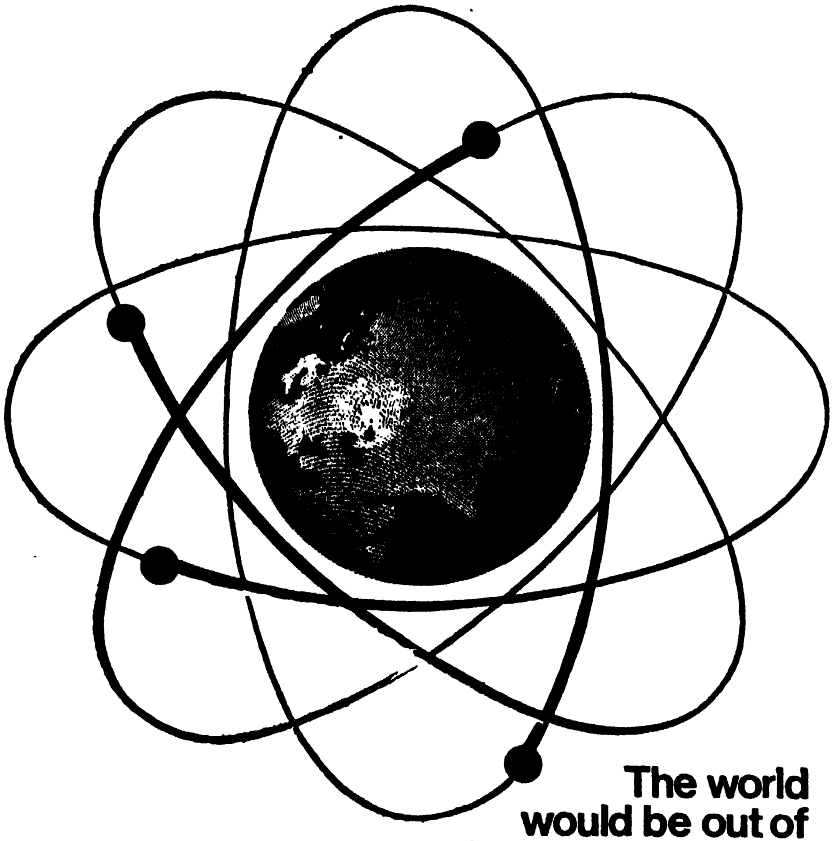

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Constitution Amendment Bill, 1976

Changing the Constitution

To incorporate the recommendations of the Swaran Singh panel in this country's Constitution, the Law minister, Mr H.R. Gokhale, introduced the 44th Constitution (Amendment) Bill in the Lok Sabha on September 1. (The text of the bill is given on page 547). It will come up for discussion in Parliament within the next two months. In the meantime, an opportunity has been given to the citizens to express their views freely on the various proposed changes. The government is in no hurry to embody these alterations in the Constitution. It is keen to convince the people that "the proposed amendments to the Constitution are aimed at meeting the developing needs of the people." Consequently, discussions have been held recently between the representatives of the government and the opposition parties to sort out differences on vital issues and to provide elucidations wherever necessary. This is a healthy practice and the government needs to be congratulated for giving the widest possible publicity to the intended changes. May be, some constitutional pundits and legal luminaries will be able to point out certain contradictory elements which might have escaped the attention of the framers of the new amendments.

Already the bill under reference shows the impact of the recent debate on Swaran Singh panel proposals. For instance, it had been suggested by the panel that abjuring communalism should be incorporated as a fundamental duty in the Constitution but in the absence of an agreed definition of "communalism", this recommendation was dropped while drawing up the various clauses of the bill. It was felt that a redescription of the country as "Sovereign Socialist Secular Democratic Republic" will make the mention of communalism as superfluous. However, there is bound to be difference of opinion even on this redesignation of the country. Just as "communalism" is hard to spell out precisely, "socialism" also has no universally accepted definition. And the spectrum of various hues in the banner of socialism is so wide that it can mean all things to all people. Perhaps in the coming weeks, thinking on this point will start crystallising slowly but surely.

There can be no disagreement on the 10 basic duties of a citizen which the bill has laid down. They are all couched in clear-cut language and are intended to inculcate in the individual not only respect and pride for the motherland but also a spirit of sacrifice in the hour of her need. The conflict comes when the directive principles are given precedence over fundamental rights. It is the contention of the government that the fundamental rights enshrined in the Constitution have frustrated all its recent attempts at socio-economic reforms; hence the need to subdue them under the weight of the directive principles.

Certain sections of the bill are indeed praiseworthy and will be widely approved. For instance, one of the amendments seeks to enable the President to proclaim emergency in respect of a part of the country as against the present practice of enveloping the whole country in the blanket emergency powers. Similarly, the emergency can be lifted in certain parts of the country where the danger of disquiet has disappeared. It is indeed an amendment which is highly in the interest of the public. Then there is the provision to provide free legal aid to economically-backward classes, which is surely a welcome measure. Also the provision for the participation of workers in the management of organisations engaged in any industry, though much spade work will be needed before this proposal is implemented.

Again, the disposal of service disputes by administrative tribunals both at the centre and in the states will be widely appreciated. Hitherto, such disputes had caused undue hardship through prolonged court cases. A government servant had hitherto the option to seek the protection of law in case he found that his superiors were unduly unjust to him. Now the tribunals will handle such cases, and it is only to be hoped that they would dole out justice and would not favour or frown upon any one of the parties.

It is not known why the term of the legislatures is proposed to be extended from five to six years. The Swaran Singh panel has not hinted at it. It seems that the bill would automatically legitimise the life of the present Parliament which had been earlier extended by a year. Otherwise there does not seem to be any great virtue in increasing the life of legislatures from five to six years.

The power of the President is proposed to be limited by a provision which makes him bound by the advice of the council of ministers. It means that in a contingency, he will no longer be able to assume full reins of power and will have to follow the dictate of the cabinet. This amendment is also somewhat intriguing because none of the earlier Presidents were bound down by such limitation.

revised rules

The bill has revised the rules for the review of laws passed by the central or state legislatures by the Supreme Court. For instance, the minimum number of judges for such review has been fixed at seven, and no law would be declared invalid unless two-thirds of the judges concurred. Presumably, this had been done in view of narrow majorities (or minorities) by which certain constitutional issues were recently disposed of by the Supreme Court. According to Mr N.A. Palkhivala, "it means that a law declared and held to be unconstitutional and invalid by a majority (of less than two-thirds) of the Supreme Court or the high court would still be enforced by the executive against the citizens. This is patently destructive of one of the basic features of the Constitution and is violative of the rule of law." Surely, it is a poor attempt at whittling down the power of the majority of judges but let us not forget, it is a double-edged sword. It can also cut the other way round.

According to the Law minister, Mr H.R. Gokhale, Parliament can change the basic structure of the Constitution. In fact, he used the epithets "so-called" and "non-existent" for the basic features of the Constitution. This is indeed a hotly contested issue. The basic structure of the Constitution as it has been understood and interpreted in the past three decades is democratic with emphasis on the dignity of man—his freedom, right to life and personal liberty, freedom of speech and expression, the freedom to form associations etc. Any amendment which changes the democratic constitution into an autocratic one and saps the very sources from which the citizen has so far drawn sustenance is certainly against its basic features. Moreover, if one Parliament can distort the Constitution the way it likes, then the next one may reverse the process. In other words, each Parliament would have its own Constitution.

Export prospects in eastern India

MR S. G. Bose Mullick, the union Commerce secretary, told the workshop organised by the Bengal Chamber of Commerce & Industry on August 28, that the government of India had not decided to abandon the idea of setting up new free trade zones but had only postponed it for the time being. He said that the government had taken this decision because the free trade zones in Kandla and Santa Cruz had not produced the expected results. But Prof D.P. Chattopadhyaya, the union Commerce minister, has given the impression that the government has dropped the proposal to set up more free trade zones. Addressing the Bengal National Chamber of Commerce on August 14, Prof. Chattopadhyaya said that the Kandla zone "has proved a flop" and that the zone in Santa Cruz was intended only to help revive the electronics industry from a setback.

uneconomic concept

The Commerce minister explained that the idea of free trade zones came up for consideration when the government was following a restrictive policy in regard to foreign trade. But, recently, the government had decided to liberalise the import of raw materials and capital goods for promoting exports. He added that no country in the world of India's size except Brazil had allowed free trade zones. He said many states other than West Bengal had also applied for permission to set up such zones and that the government could not favour any particular state when experience had shown that this concept had been found to be uneconomic. The minister observed that "once it is a free trade zone, it is a free-for-all".

Whether government has merely postponed the proposal to have more free trade zones or has abandoned it, it seems that no such zone it likely to come up at least during the sixth five-year Plan. This will be unfortunate because many state governments have shown enthusiasm for starting these zones.

great disappointment

The West Bengal government had spent nearly two crores of rupees on creating the infrastructure for setting up the zone in the Salt Lake area near Dum Dum. It had also received 17 applications for starting industrial units in this zone. The Trade Development Authority had made out a strong case for establishing a free trade zone not only in Salt Lake but also in Haldia. The union Commerce ministry itself seems to have encouraged the West Bengal government to go ahead will the Salt Lake Scheme. New Delhi's decision therefore has caused a great deal of disappointment to the government of West Bengal and to the business community in the state. The presidents of the Bengal National Chamber, Indian Chamber, and the Bengal Chamber have urged the government of India to reconsider its decision.

The Bengal Chamber's workshop highlighted the importance of the eastern region in India's export trade. Of the top ten export commodities in 1974-75, jute and jute goods accounted for nine per cent, tea seven per cent and iron ore five per cent, and in each of these products, the eastern region had a major share. Engineering items constitute about 11 per cent of the overall exports and the eastern region's share is 16 per cent. The workshop drew attention to several constraints affecting exports from the eastern region. These were lack of adequate and timely information about export opportunities, uneconomic shipping freight rates, absence of adequate shipping services, large idle capacity in many industries, and technological backwardness of the engineering industries.

The Chamber's background paper said that engineering industries in the eastern region were not quite competitive both in the domestic and international markets, resulting in some units suffering from "chronic unprofitability". The workshop's suggestions included introduction of a scheme of export investment rebate on a selective basis, establishment of an export-import bank, provision of insurance to protect exporters from exchange fluctuations, and simplification of procedures for grants from the Market Development Fund. These suggestions have been made before but even so, the government of India should examine to what extent they can be implemented expeditiously.

low consciousness

The workshop revealed that, compared to units in other regions in the country, the export consciousness among industries in the eastren region was low and that, as a result, the planning for new product innovation for export was in a low key. It was stated that the market information gap was greater in the eastern region and that the role of the Asian Development Bank or the tendering procedures and interanational practices in bidding were not known to many units. But why is export consciousness in the eastern region so low ? Many export promotion councils have been functioning in Calcutta for more than a decade. There are six chambers of commerce in Calcutta, besides a large number of trade and industrial associations. Hardly a month passes without some association or the other in Calcutta organising a seminar, workshop or conference on some aspect relating to export promotion. The Calcutta port accounts for nearly 30 per cent of the country's total exports.

How then is export consciousness in the eastern region said to be lower than in other regions ? The Bengal Chamber's workshop suggested that the government of India should set up a World Trade Centre in Calcutta and that the Trade Development Authority should open a "high-powered office" in Calcutta. Even if these suggestions are implemented, export awareness in the eastern region seems unlikely to increase in a big way unless the business organisations show more interest and initiative and the state governments concerned also play a more active role in problems relating to export promotion.

Funds and their proper use

THE RESERVE BANK has been reviewing developments in the money market in the past few months and holding also discussions with the government with a view to determining what should be the policy for dispensing credit in the next busy season. The exercises are being carried out even more meticulously than on former occasions, as the recent upward trend in wholesale prices in some directions and the increase in non-food credit seem to have given rise to the impression that the growth in money supply should be controlled and excessive purchasing power should not be allowed to have a disturbing effect on the price structure. The increase in money supply in the current financial year up to August 13 has been 7.7 per cent against 4.6 per cent in the corresponding period of 1975-76, while deposits of the scheduled commercial banks have recorded a phenomenal rise of Rs 1,528 crores in the same period against only Rs 980 crores in 1975-76 on a comparable basis.

new factor

Aggregate credit also jumped up by Rs 864 crores against a decline of Rs 34 crores. Food credit of course accounted for as much as Rs 659 crores out of this expansion and it is said to be responsible for an increase in money supply with the public to a significant extent and accelerated growth in the form of larger notes in circulation. There has, however been a new factor in the shape of a big rise in deposits and a trade surplus which have also contributed to a bigger rise in money supply.

What is the import of these new developments and have they any sinister significance for the economy ? A big inflow of remittances from non-resident Indians and emergence of a trade surplus with a higher level of exports and drop in imports due to the elimination of unwanted items, are certainly favourable factors for any economy. The exports too have been helpful in reducing accumulated stocks of steel, textiles and other items though it might not have been correct to have permitted exports of oilseeds and cotton, even in limited quantities. Only in respect of procurement operations has there been an inevitable increase in money supply, as instead of transfers of existing funds between one pocket and another when purchases of foodgrains and other commodities take place between traders and individuals, there is an injection of fresh money when procurement purchases are effected.

aggregate increase

The point is whether this addition to money supply has a disturbing effect on the price structure. The answer can be that the grower himself in receipt of money through sales to official agencies has less purchasing power and not more because open market prices have come down. There will of course be larger purchasing power in the aggregate because of a higher level of production of foodgrains and other cash crops. Here again, what is exactly the advantage accruing to the community, as distinct from the agricultural population is a factor which is of importance. It cannot of course be denied that the net addition to purchasing power as a result of higher agricultural and industrial production can be of dimensions which can generate additional demand for goods and services though here again the strength of the additional demand is dependent on the manner of dispersal of additional purchasing power.

As regards the impact of higher remittances from non-resident Indians to dependents in this country, in the system of illegal compensatory financing black-money was playing an important role. If it can be expected that inward remittances would continue to be at the doubled rate in the immediate future, at least half the remittances will be reflected in increased spending with funds provided by banking system. This will of course mean a displacement of blackmoney to that extent. This is indeed a healthy development though apparently there will be an increase in money supply with no net increase in demand for goods and services, as the regular demand had been sustained by money secured by the dependents from the unauthorised sector. It is therefore difficult to assess precisely the significance of the impact of the recent developments and it cannot be correct to take an alarmist view and adopt contractionists policies.

liquidity ratio

The monetary authorities have been obviously unable to take a definite decision relating to an increase in the statutory liquidity ratio to 35 per cent from 33 per cent as desired in some sections of the government. In view of the need to mobilise additional resources and overcome the shortfall in Plan outlay which may arise in the state sector due to paucity of funds, it was felt that the Reserve Bank should facilitate easy mobilisation of funds with an enhancement of the statutory liquidity ratio by two per cent. The effect of an increase of this order, if decided upon, will be to augment investments in government and approved securities by about Rs 350 crores immediately and by another Rs 50 crores in a year in respect of fresh additions to deposits. The Reserve Bank is apparently not taking any decisions in this regard as it is unclear whether the growth in deposits will continue to be impressive as it has been latterly and a higher liquidity ratio can be adopted without creating difficult conditions for other classes of borrowers.

The situation has perhaps to be closely watched and some important decisions can be taken later in the year in the light of new developments. The immediate move relates to the impounding of the developing excessive liquidity of the banking system by increasing the cash reserve ratio to five per cent from four per cent effective from September 4, 1976. This procedure will result in the immobilisation of about Rs 160 crores in the form of higher cash balances with the Reserve Bank and the member banks will be paid interest at the rate of 5.5 per cent on the the freshly impounded balance. This move is somewhat unexpected when the central and state governments have yet to complete their borrowing programmes for 1976-77 and many public bodies also have to issue bonds.

It has been generally expected that the Reserve Bank would encourage the raising of larger net amounts through open market loans by the central and state governments before the commencement of next busy season. With the states due to complete the second tranche of their borrowing programmes shortly and the necessity for issuing central loans before the end of October, tightness will be created in the money market and banks may not be in a position to reduce their borrowing from the Reserve Bank. With the prospect of fairly good kharif food crops being harvested and no large outflow of bumper stocks during the lean months, only a contraction in the non-food credit can be helpful in the present context. It is, however, difficult to say whether there will not be any rise under this head in the next few weeks even with a drop in stocks of sugar, steel and fertiliser.

It is necessary to watch closely new developments in the money market as no guidance is provided by happenings in earlier years. A conservative policy may not provide the answer to new conundrums. The raising of the cash reserve ratio is probably an attempt to offset the expansionary effect of the release of the impounded additional dearness allowances though money flows and prevention of outflows are not concerned with identical sectors.

The Reserve Bank is obviously keen on holding tight the reigns with a view to making appropriate changes in the light of new situations. The cost of lending is increased in the process and higher cash reserve ratios have not been quite effective in the past. It was reduced to five per cent from seven per cent on June 28, 1974, and the statutory liquidity ratio was raised simultaneously by one per cent to 33 per cent. It has remained at this level since then. In December 1974, the cash reserve ratio was reduced to four per cent from five per cent in stages. The rise to five per cent thus comes after one year and eight months. As the increases in money supply have not been undesirable and the growth in deposits is to be welcomed, it will serve the purpose of the monetary authorities if stricter control is maintained on the dispensation of credit and deflationary policies are not conceived mainly on orthodox lines. The Reserve Bank can even think of extending credit to the central and state governments for specific plan schemes and negotiate with them for repayments on a defined basis. In that event the apprehended misapplication of funds even by government agencies can be avoided. Some kind of new thinking is needed as it is imperative to encourage larger outlay and make easy the task of mobilising resources when the stature of the banking system is growing impressively.

Eastern Economist 30 Years Ago

SEP. 13, 1946

In the world of economists there is perhaps no place for imperatives. *Ceteris paribus* and conditional generalisations take a high and honoured rank in their scheme of evaluation. This is not to be surprised at, because the economist's primary pre-occupation is to establish and explain relations, not to prescribe codes and regulations. "Do this or that" and other categorical imperatives are utterly alien to his scientific mind, because he recognises that there are many more things to a course of action than can be inclosed within his agenda. Yet, in recent years the economists have been leaned upon heavily by Governments as guides to current policy and action; nor have they been unwilling to assume the role and act as mentors. This is largely because they see more clearly than politicians and others the implications of various kinds of action; the risk of basing governmental action on their advice is now acknowledged and recognised to be far less (despite the gibe at them) than that based on ignorance or instinct. At the same time, few competent economists are unconscious of the limitations of their knowledge or capacity to advise. Controlled economies which have now taken the place of the 19th century free economies have given inflated values to economic nostrums all the world over.

Two decades of LIC

THE LIFE Insurance Corporation of India can take legitimate pride in the fact that its operations have expanded a great deal since September 1, 1956, when it came into existence following the nationalisation of the life insurance business in the country. The policies in force at the end of 1975-76 numbered approximately 197 lakhs—310.4 per cent more than the nearly 48 lakhs policies in force at the close of 1955. The total business in force on March 31, 1976 at Rs 16,869.11 crores was 1282.7 per cent higher than the Rs 1,220 crores business in force on December 31, 1955. The life fund during this period grew from Rs 364.87 crores to as much as Rs 3,440.97 crores—an increase of 843.1 per cent. The rate of claims settled, similarly, multiplied fast—from Rs 18.81 crores to Rs 165.85 crores, showing an increase of 781.7 per cent. The percentage of claims outstanding to claims intimated has been reduced from the average of 57 per cent before nationalisation to 17.58 per cent, despite a nine-fold increase in the volume of claims intimated. On an average, 1,500 claims are now said to be being settled every day, involving a sum of Rs 55 lakhs. As many as 50 lakhs families are said to have benefited from the payment of death and maturity claims in the last two decades to the tune of over Rs 1,300 crores.

significant fact

A much more significant fact about the underwriting of insurance, however, is that several categories of lives which used to be considered uninsurable are now granted insurance cover, though with some extra premium. The acceptance conditions for the lives of those in hazardous occupations have been liberalised a great deal. A non-medical scheme has been introduced for the benefit of all classes of people. Group insurance is being pursued vigorously to provide insurance cover to large numbers of lives belonging to organised homogeneous groups. Prior to 1956, hardly any group insurance scheme was underwritten. In 1971-72, this business aggregated to Rs 131.17 crores, covering 1.4 lakhs lives. It grew to Rs 1,342 crores in 1974-75, covering 9.43 lakhs new lives. Last year, the new business under these schemes rose to as high a level as Rs 3,269 crores, covering more than 23 lakhs new lives.

expanded coverage

The categories of lives covered by the group insurance schemes now include not only the three wings of the armed forces and the employees of several state governments, electricity boards and housing co-operative societies but also such weaker sections of society as scavengers of municipal corporations, bidi and tobacco workers, workers in tea plantations, miners, milk producers and cashewnut workers in various parts of the country. Gratuity schemes have been provided to ensure enhanced gratuity benefits in case of death of a worker while in service. Rural business too has been expanded, though only steadily from Rs 182.59 crores covering 5.34 lakhs policies to Rs 464 crores covering 5.74 lakhs policies. The average sum assured per policy has gone up significantly in the case of all plans.

On the investment side as well, the corporation has some plus points to its credit, the most important among them being the increased investments in the socially oriented schemes covering agriculture, electricity, housing, water supply and sewerage, etc. At the end of 1975-76, the socially-oriented investments aggregated to as much as Rs 1,407.32 crores out of the aggregate investments of Rs 3,134.64 crores. The corresponding figures for 1958, when a concerted drive was launched in this direction, were Rs 11.67 crores and Rs 421.49 crores Currently, nearly 45 per cent of the investments of the corporation are in socially-oriented programmes. The investments in the fields of electricity, housing and water supply and sewerage have multiplied fast particularly in the recent years.

The above data, indeed, is an impressive record of the operations of the corporation as well as the efforts at mobilisation of community resources for investment in schemes of social good. But, correspondingly, the dark spots in its working are not a few.

As mentioned above, the rural business, though it has grown significantly in value, continues to lag far behind expectations in the number of policies issued. The overall percentage of rural business to the total business underwritten too continues to be just around 30 per cent. The reasons put forth for this phenomenon are that among the people who live in villages, a large number are not in a position to go in for insurance and a good number are not favourably inclined to it. Surely, these hurdles can be surmounted if concerted attention is paid to the rural areas through devising a policy particularly suited to the fluctuating incomes of the rural folk. It, indeed, is a matter of regret that none the new plans of insurance designed and introduced by the corporation since nationalisation—mortgage redemption assurance plan, convertible term assurance plan, the retirement annuity policy, the centenary policy, the grihalakshmi policy as well as the three new plans introduced last week, namely, the money back policy, cash and cover policy, and the progressive protection policy—caters for the special requirements of the rural people. Some studies are stated to have been constituted to draw up a special plan for rural areas. It can only be hoped that these studies will be completed expeditiously and a suitable rural policy would be brought forth at an early date.

another dark spot

Another dark spot which needs to be attended to without delay by those at the helms of affairs of the corporation is the high cost of insurance. As the minister for Finance, Mr C. Subramaniam, who addressed the 20th anniversary celebrations of the corporation here last week, observed : "a life insurer is in the position of a trustee for policy-holders and therefore utmost economy in expenses should be his special concern". He pointed out "that prior to nationalisation, despite cut-throat competition for insurance, the two biggest insurers managed with a renewal expense ratio of less than 12 per cent. With the removal of competition and with economies of scale, the LIC was expected to fare better. However, this expectation was not realised and during its second decade, LIC's renewal expense ratio has risen sharply, almost touching 20 per cent in 1974-75".

The high cost of insurance in the country should also be evident from the fact that notwithstanding a significant increase in the life expectancy of an average Indian, the pleas for reduction in premia by and large have not been acceded to, particularly in regard to with-profit endowment policies. The private insurers reduced their premium rates in 1954 by 5 to 15 per cent. The only reductions effected in the rates by the corporation since nationalisation—after, of course, the first cut of Re 1 per thousand sum assured to those being charged by the most leading insurer in 1956—have been either in regard to without-profit policies or annuities or in the premia for group insurance policies, the gratuity funding plan and the schemes extending accident and extended disability benefits and that too on a modest scale. The premia of with-profit policies have been, by and large, left untouched.

Such policy-holders, no doubt, have been compensated to some extent by increase in bonus, but the bonus rates too have gone up only moderately—from Rs 12.8 per thousand sum assured per annum to Rs 17.60 on participating endowment type policies and 25 per cent more on whole-life policies—taking into consideration not only the increase in the net interest realisation on the mean life fund from 3.52 per cent in 1958 to 6.45 per cent in 1975-76 (notwithstanding the fact that the investments in the socially-oriented schemes yielding less return than several other investments have multiplied fast) but also the erosion in the real value of the rupee as a sequel to inflation. Insurance does not only cover life risk; it also helps in effecting savings.

mounting expenses

The primary cause of the above is the mounting operational expenses of the corporation particularly on account of escalation in the staff cost. Some of the reasons responsible for this, indeed, can be said to be beyond the control of the corporation, especially those emanating from inflationary tendencies in the economy. But there can be no denying the fact that productivity in the corporation has been low and further it has tended to go down over the years because of growth in indiscipline at various levels till the declaration of emergency last year.

Some improvement must have been witnessed in discipline as well as productivity this year. But Mr Subramaniam's call for fixing adequate work norms for employees and their enforcement with determination needs to be endorsed. The corporation, surely, is not meant only for its staff and for supplementing the developmental efforts of the government. The policy-holder is the king-pin of the whole operation. Unless his interests are also catered for adequately, the disillusionment that may be caused may spell disaster for the insurance business in the country. As the Finance minister stressed in his last week's above-mentioned address, the LIC is for the policy-holders and not the policy-holders for the LIC.

element of competition

With a view to bringing down the cost of operation of the corporation, time appears to have come also for thinking in terms of introducing some element of competition in the life insurance business. This, in the present circumstances, can be done only through reorganising the current monolythic set-up into four or five corporations. The growing unwieldiness of the current set-up due to increase in the scale of operations too warrants thought on the issue. Incidentally, the with-profit-policy-holders can be compensated to some extent by introducing differential bonus rates depending on the terms of the policy. The current practice of the same bonus being applicable to with-profit policies irrespective of their maturity period is inequitous if for no other reasons than for the facts that long-term banking deposits always attract higher interest than the short-term ones and the erosion in the value of long-term policies is more than in those of the short-term policies.

The corporation also has to inject humane considerations into its operations. Apart from the mounting complaints of inconsiderate behaviour at various levels of the corporation's staff before the current emergency, the tendency to adhere strictly to the rules rather than to the spirit behind them caused unnecessary delays and made the operations sometimes very irritating. Some instances of this were pointed out at the last week's celebrations by none else than a former chairman of the corporation and now minister for Industry, Mr T.A. Pai. These included undue delays caused in the settlement of death claims on account of such factors as after-death inquiries by the corporation into the bona fides of the insurer taking out a cover, which ought to have been done in the very first instance. But even now such instances are not an exception. There are also some archaic rules which need to be modified.

irksome procedures

A pertinent example of this is the insistence by the corporation that witnesses to a loan from it must sign in English and in no other language, including Hindi—that too in a Hindi-speaking state and also when the applications for death claims in the Hindi-speaking areas are to be made only in Hindi. Another instance is the calling for in the case of loans for house building purpose — under the mortgage scheme – affidavits from the sons of a loanee to the fact that the property to be built by the loanee is self-acquired even though such an undertaking might have been given by the loanee himself. In such a case, why then insist only on affidavits from the sons. Why not from the wife and daughters also who under the present inheritance law are co-sharers in the husband's/father's property? Further, where is the guarantee that the children born later would not create complications! Such irritations obviously can be avoided if humane approach is brought to bear upon the operations of the corporation.

Taking of loans for house-buildings, in fact, is a nightmarish experience for not a few. Some time even sureties to the loans are asked to pledge their assets and retirement benefits even though the loanee himself might have provided double or even three times the surety against a loan. The corporation is stated to have streamlined its procedures in this respect. But only time will show whether this will help in raising the proportion of loans to policy-holders for house-building purposes in the overall investment of the corporation in this national task. The expenditure incurred by a loanee in getting his application for a house-building loan processed by the corporation too needs to be brought down.

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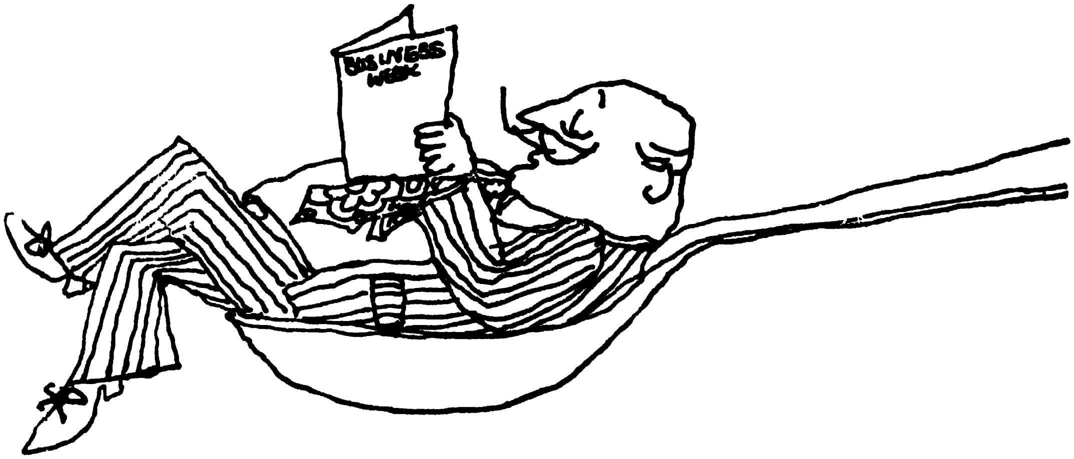

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CAPITAL'S CORRIDORS

R. C. Ummat

Fertilizer consumption and production trends Food outlook • Import policy liberalisation • PEC's performance

THE FERTILIZER Association of India (FAI) has projected that the consumption of nitrogenous and phosphatic fertilizers in the country would grow to 5.572 million tonnes N and 1.132 million tonnes P_2O_5 by 1983-84 — the terminal year of the sixth five-year Plan — from the last year's levels of 2.148 million tonnes N and 0.467 million tonnes P_2O_5. The likely consumption during the current year and the next six years has been assessed as follows: 1976-77 — 2.5 million tonnes N, 0.6 million tonnes P_2O_5; 1977-78 — 2.826 million tonnes N, 0.74 million tonnes P_2O_5; 1978-79 — 3.214 million tonnes N, 0.801 million tonnes P_2O_5; 1979-80 — 3.63 million tonnes N, 0.865 million tonnes P_2O_5; 1980-81 — 4.074 million tonnes N, 0.929 million tonnes P_2O_5; 1981-82 — 4.545 million tonnes N, 0.995 million tonnes P_2O_5; and 1982-83 — 5.044 million tonnes N, 1.063 million tonnes P_2O_5.

indigenous production

The indigenous production, on the basis of the likely increase in capacity and the current norms of bringing the various fertilizer projects to their optimum levels of production, is expected to be as follows: 1976-77 — 1.95 million tonnes N, 0.455 million tonnes P_2O_5; 1977-78 — 2.422 million tonnes N, 0.73 million tonnes P_2O_5; 1978-79 — 2.842 million tonnes N, 0.87 million tonnes P_2O_5; 1979-80 — 3.416 million tonnes N, 0.953 million tonnes P_2O_5; 1980-81 — 3.929 million tonnes N, 0.967 million tonnes P_2O_5; 1981-82 — 4.14 million tonnes N, 0.967 million tonnes P_2O_5; 1982-83 — 4.275 million tonnes N, 0.988 million tonnes P_2O_5; and 1983-84 — 4.305 million tonnes N, 1.008 million tonnes P_2O_5.

The growth in capacity envisaged in the above estimates of production is as given in the table below.

The above projections of consumption and production reveal that although the output of nitrogen will increase at a relatively faster rate than the increase in consumption in the next four years, this will help only in reducing the gap between the requirements and output from about 0.55 million tonnes this year to 0.404 million tonnes next year, 0.372 million tonnes in 1978-79, 0.214 million tonnes in 1979-80 and 0.145 million tonnes in 1980-81. Thereafter, the gap will start widening again. It will grow to 0.405 million tonnes N in 1981-82, 0.769 million tonnes in 1982-83 and 1.276 million tonnes in 1983-84. A similar trend will be there in the case of P_2O_5. The gap between production and consumption will narrow down from 0.145 million tonnes this year to a bare 10,000 tonnes next year, converting into a surplus of 69,000 tonnes in 1978-79, 88,000 tonnes in 1979-80 and 38,000 tonnes in 1980-81. Thereafter, there will be a deficit of 28,000

Schedule of projects under implementation and other projects agreed to in principle

('000 tonnes)

Year	Name of the plant	Capacity		Total capacity	
		N	P_2O_5	N	P_2O_5
1-4-7	Existing		—	2,676	737
1976-77	FCI—Khetri		90		
	FCI—Barauni	152			
	FCI—Namrup (Expn.)	152	—		
	SPIC—Tuticorin		51		
	FCI—Sindri (Ration.)	—	156		
	FACT—Cochin II	40	114		
	MFL—Madrass (Expn.)	12	27		
		356	438	3,032	1,175
1977-78	FCI—Talcher	228	-		
	FCI—Nangal (Expn)	152	—		
	FCI—Ramagundam	228	—		
	FCI—Trombay IV	75	75		
		683	75	3,715	1,250
1978-79	FCI—Sindri (Modern.)	129	—		
	FCI—Haldia	152	75		
	Maharashtra Co-op.	51	—		
	NFL—Bhatinda	235	—		
	NFL—Panipat	235	-		
	HZL—Udaipur	—	26		
		802	101	4,517	1,351
1979-80	IFFCO—Phulpur	228	—		
	FCI—Trombay V	130	—		
		358	—	4,875	1,351
1980-81	GSFC—New	243	—	5,118	1,351
1981-82	Nagarjuna	228	—	5,346	1,351
1982-83	Nargarjuna	—	82	5,346	1,433

tonnes in 1981-82, 75,000, tonnes in 1982-83 and 124,000 tonnes in 1983-84. This year's deficit, of course, is stated to be notional as, if the demand goes up to the envisaged level, production can be stepped up easily beyond 0.455 million tonnes.

Taking into consideration that a minimum of five to six years' period is required for commissioning a fertilizer plant from the time it is mooted, the Association has called for serious thought to be given to the projects that would be needed to be commissioned from 1980 onwards.

The above calculations of the FAI do not take into consideration any contribution by four projects which have been approved in principle and for some of which even letters of intent have been issued. This is because no firm time schedule for these projects has been agreed upon as yet. The projects concerned are the Korba and Paradeep plants of the Fertilizer Corporation of India, the Mathura unit of National Fertilizers Limited and the Kota expansion scheme of Delhi Cloth Mills.

additional plants

The 1983-84 gap between the requirements and production of nitrogenous fertilizers, the FAI says, can be filled up if apart from the above four projects, efforts are made to set up five other plants, each having capacity of 900/1500 tonnes production per annum ammonia/urea. Actually, seven plants of this capacity would be needed, including the four which have been approved in principle. Two additional projects have been suggested for implementation in the interest of prudence—to insure against likely slippages, breakdowns or unexpected upsurge in demand.

The establishment of nine new fertilizer projects, some of which, of course, will be producing complex fertilisers also, it is felt, would suffice for even meeting the requirements of P_2O_5. Since all the requirements of potash (K_2O) are met through imports, no projections have been indicated in regard to this type of fertilizers

* *

The minister of state for Agriculture and Irrigation, Mr A.P. Shinde, assured the members of the Rajya Sabha last week that despite the recent floods in various parts of the country, particularly in the states of Punjab, Haryana and Uttar Pradesh, and drought conditions resulting from insufficient rains in some states upto the second week of July, the outlook of the current kharif crop continues to be promising. According to the latest assessment, the crop in both Punjab and Haryana, in fact, was expected to the bumper. The overall output in the country was expected to be good.

genuine optimism

This optimism of the minister has its genesis in the fact that although rains were delayed in the beginning, they have been widespread since about the middle of July and the earlier deficiency in most parts of the country has been made up. The total rainfall during the season till the last week of August had been normal or in excess of normal in all parts of the country, except in some parts of Kerala. The flood damage, though it has been severe in some parts of Punjab and western Uttar Pradesh, has not been as much in the country as a whole as in the last year.

In anticipation of a good kharif crop, the Food Corporation of India and the various state agencies concerned with procurement, in fact, have been asked to keep themselves ready to undertake another heavy procurement after the current kharif harvest. Already 17 million tonnes of foodgrains are stated to be in stock with the government. The procurement out of the last agricultural year's output upto August 28 had been of the order of 12.9327 million tonnes—6.5271 million tonnes of wheat, 6.1043 million tonnes of rice (inclusive of paddy in terms of rice), 38,000 tonnes of maize, 245,700 tonnes of bajra and 17,600 tonnes of bajra. This compared with a procurement of 7.7453 million tonnes upto that day last year—3.8258 million tonnes wheat, 3.6214 million tonnes rice and 298,100 tonnes coarse grains (maize, jowar and bajra).

Notwithstanding the heavy stocks position and the likelihood of a good current kharif harvest, the minister for Agriculture and Irrigation, Mr Jagjivan Ram, declared in an informal talk with the Forum of Financial Writers towards the close of last month that the government would lift all foodgrains that would be offered by the agriculturists. The only major bottleneck faced by the procurement agencies—that of warehousing—he said, was being attended to. It would not be allowed to stand in the way of procurement after the kharif harvest.

Another indication that was given by Mr Jagjivan Ram was that the procurement bonus scheme would continue for the kharif procurement season. The question of its continuance during the next rabi would be considered at the appropriate time.

Answering a question in the Lok Sabha last week, Mr Shinde also revealed that an official committee constituted to advise the government on the size of buffer stock had tentatively proposed that during the current Plan period, a buffer stock of 11 to 12 million tonnes of foodgrains should be created, besides an operational stock of 5 to 6 million tonnes and another peak level stock of 3 to 4 million tonnes.

warehousing capacity

In view of the above, the government is considering at a highest level the desirability of building up adequate warehousing capacity which would enable storage of foodgrains for more than a year without deterioration. This, by and large, is not the case at present. Of the present available storage capacity, only a very small percentage is conducive to maintaining the quality of stored foodgrains for more than a year. This percentage is proposed to be raised through building new silos and bulk storage facilities on an increasing scale.

Encouraged by the last year's output of foodgrains, which is said to have exceeded 118 million tonnes, and the likelihood of good production this year, there is every prospect of the current Plan-end target being revised upwards. As indication of this too has been given by Mr Jagjivan Ram.

* *

Addressing the 20th annual general body meeting of the State Trading Corporation (STC), the minister for Commerce, Prof D.P. Chattopadhyaya, confirmed last week that in view of the relatively improved foreign exchange situation in the last few months, "we have to reformulate and liberalise the import policy". He, however, added that in this exercise, the objectives of import substitution and strengthening of the export production base would have to be kept in view. The liberalisation of import policy, therefore, might be in selected areas and sectors so that it not only contributes to an increase in production and exports but also to productivity and efficient running of the economy. The need for expanding the production base or for planning units exclusively for exports or units the major part of whose output could be earmarked for export, Prof Chattopadhyaya said, arose because of the fact that our net terms of trade during the four years ending 1975-76 had declined by almost 44 per cent.

The chairman of the STC, Mr Vinod Parekh, in his address to this meeting, called for a ten-year plan for sugar exports, as he felt that the long-term prospects of export of this commodity continued to be "excellent", although exports this year may go down substantially from the last year's level of Rs 469 crores owing to shortfall in production. The policy mix-up of sugar exports, he emphasised, should take care of (i) mechanism to cushion both production and price stocks; (ii) programme of increased production, modernisation and standardisation; (iii) review of the system of allocation and quotas for exports; and (iv) organisation of stable long-term and value-added marketing.

sugar exports

In an informal talk with pressmen later, Mr Parekh indicated that exports of sugar this year might go down by Rs 200/250 crores, although a firm assessment in this regard could be made only when the next cane crushing season started and it was known what quantities of sugar would be available for export out of the next season's output. To a substantial extent, however, decreased earnings from these exports, he said, might be made up by higher exports of several other commodities. These included castor oil, coffee, leather, cement, tyres and tubes, ready-made garments, tobacco, rubber, plywood, etc. Between April 1 and August 25, the total exports of STC, he revealed, had amounted to Rs 221 crores, as against Rs 243 crores during the corresponding period last year. But if sugar exports, which had registered a sharp decline, were excluded, the export earnings from other items during this period aggregated to Rs 145 crores, as against Rs 85 crores last year. The exports of castor oil, coffee, footwear, leather and cement are said to have already yielded Rs 7 crores, Rs 5 crores, Rs 5 crores, Rs 9 crores and Rs 3 crores, respectively, more than last year.

Mr Parekh felt that the prospects of trade with Pakistan were quite promising; even though the quantities of the various items exported might be small, the overall trade could be substantial. A contract has been signed to export to Pakistan tyres and tubes worth Rs 20 lakhs. Another interesting export order received is from the United States—for the export of fireworks worth Rs 4 lakhs. A similar export order from that country is expected to be signed shortly.

With a view to stepping up exports of leather as well as for raising the unit-value of this commodity through processing, the STC is understood to be negotiating with the World Bank a sizeable loan for setting up six leather processing complexes in the country. The current emphasis of the STC is on exports of non-canalised items.

* *

The Projects and Equipment Corporation of India, a subsidiary of the State Trading Corporation, is expected to reach the first important landmark in its operations this year when its total turnover may exceed Rs 50 crores. Last year, the corporation had a turnover of Rs 39.63 crores, comprising Rs 28.59 crores exports and Rs 11.04 crores imports. The export target for the current year has been fixed at Rs 48 crores. The imports, of course, may be much lower than in the last year—just around Rs 2.37 crores.

The corporation threw up last year a profit before tax to the order of Rs 120.6 lakhs, as against Rs 36.2 lakhs in the previous year when its turnover aggregated to Rs 27.41 crores—exports Rs 19.61 crores and imports Rs 7.81 crores. The profit after tax amounted to Rs 36.6 lakhs, as against Rs 13.2 lakhs in the previous year. Much more important than the high target set by the corporation for this year's exports is the streamlining that has been effected in its operations. A series of administrative and other steps have been taken recently to ensure that not only the offers made for export are competitive but also that once the contracts are secured, they are adequately followed up and no slippages occur in their execution. More and more stress is being laid on the export of sophisticated items and undertaking of turn-key projects, both as prime contractors and subcontractors. Despite the severe competition faced in the international market, the corporation has been able to establish good reputation as a source of dependable supplies to not only the developing countries but also some of the developed nations.

other export items

Besides railway equipment, which was the primary export activity of the corporation in the initial years, exports have come to be effected of various other engineering products such as garage equipments, hand tools, cutting tools, cycle parts, casting and forgings, steel billets, automotive parts and accessories and power distribution equipment. For the first time, an order was secured by the corporation for the export of diesel electric locomotives to an African country and machine tools to the USSR. The machine tools covered milling machines and radial drilling machines.

With a view to avoiding unhealthy competition between the different exporters of projects and equipment from the country, efforts are being made by the corporation to form consortia with the other engineering concerns in various fields. The corporation has also undertaken collection and dissemination of information regarding specific markets, particularly Yugoslavia, France and the EEC in respect of which it has been recognised as the focal point for collecting information.

The concerted efforts launched recently in the above directions have started yielding results. The orders secured till the middle of last month during the current financial year around Rs 20 crores were four times the orders booked during this period last year. The exports during the first 4½ months of this year have been of the order of Rs 17.25 crores, as against Rs 11 crores during this period last year.

Bankers and borrowers

K. R. Puri

This is the text of the address by Mr K. R. Puri, Governor, Reserve Bank of India, at a seminar organised by the Delhi Management Association in the capital on September 2, 1976. Mr Puri discussed the problem of bank credit in the context of the national objective of price stability through financial discipline, improved inventory management and inculcation of cost consciousness among entrepreneurs.

THE SUBJECT of the relationship between commercial banks and their borrowing clientele is a difficult one because of the complex and varied issues involved as between different parties and transactions. A banker's relationship with each party is so complex and individualistic that it would be hazardous to generalise except in very broad terms. No doubt till the nationalisation of major banks, this relationship was kept at a simplistic level by the banks generally subserving particular industrial interests and basing their lendings on the strength of asset based security and guarantee and sometimes, on what one may call the bankers' "hunch". Now, under the new banking policy, the lendings are more purpose-oriented and justified after a critical assessment of the credit requirements for productive purposes. Loan appraisals are much more rigorous; end-use of credit is sought to be ensured; and details of book debts, cash-flow and receivables are also sought for and critically examined.

revolutionary change

The nationalisation of banks has created an almost revolutionary change in the framework of banker-borrower relationship with the avowed objective of more purposeful application of scarce resources of the community. It is so more because a heavy social responsibility has been cast on the public financial institutions and the bankers in bringing about a shift in the national asset and income distribution in favour of those in the priority sectors and of weaker sections in the community by earmarking a rising proportion of financial assistance in their favour.

While a complete reorientation of banker-borrower relationship has been emerging in response to new developments, the banking system itself has been undergoing a transformation of immense dimensions. In order to have an assessment of the magnitude of change since nationalisation, it would be desirable to cite a few quantitative data reflecting those changes (see table on page 526).

A more impressive change relates to the deployment of bank funds according to definite socio-economic priorities. There has been a basic restructuring in this respect: geographically in favour of underdeveloped states; institutionally in favour of units and purposes of public and cooperative sectors; sectorally in favour of agriculture and small business as distinguished from large and medium industries; and size-wise in favour of small and medium-scale borrowers.

In particular, the share of large and medium-scale manufacturing industry in total bank credit of scheduled commercial banks declined from 55.7 per cent in March 1968 to 42.8 per cent precisely due to the desired change in credit dispensation in favour of the priority areas and persons of small means. As it is, in absolute terms, credit obtained by the medium and large-scale industries increased over two-fold from Rs 1706 crores in March 1968 to Rs 3857 crores in June 1975 at a time when the index of industrial output increased by not more than 25 per cent. I have brought out this comparison elsewhere but it is worth emphasising again because the obvious implication is that the structural change in credit distribution in favour of the designated priority sectors has not been at the cost of the credit needs of the large and medium-scale borrowers; if anything, such borrowers have drawn credit more than proportionate to their output increase in physical terms during the past five to six years.

POINT
OF
VIEW

I have made a reference to all of them with a view to bringing home that an outstanding aspect of the banking development in India during the past seven years or so—which is sure to get reinforced in the coming years—is the emergence of the small borrowers—the persons and sectors of relatively small means from different areas of economic activity—whose interests would occupy a substantial part of bankers' time and efforts. Therefore, in your deliberations on banker-borrower relationships, it would be more useful if you take into account not only the banks' relationship with borrowers in the corporate sector (largely medium and large-scale industries) but also that with the new classes of borrowers which have emerged of late.

no distinct role

I am not for a moment suggesting that the bankers' role with respect to these two broad categories of borrowers are independent and distinct from each other. I see a degree of complementarity in the respective roles of the bankers. Let me amplify. In an essentially asset-based lending system, the large borrowers would obviously possess better creditworthiness and larger borrowing capacity than those who have poorer or no assets. With the limited deposit resources, the bankers' ingenuity and dynamism lie in how best they contain the bank credit demands of the large borrowers within their broad production requirements and simultaneously satisfy the credit urges and aspirations of those who possess, mainly 'creditworthiness of purpose'. What is saved from one thus becomes the source of ready finance for the other. This is the difficult art of credit planning which the bankers would have to cultivate.

What the banks have to bring home to the large borrowers is that prevention of any excess credit drawings by them is not only in the interest of the national economy, but also has an angle of enlightened self-interest for such borrowers. While a part of such excess borrowings arises from speculative tendencies of the manufacturers and traders, which the Reserve Bank's credit and monetary policies have sought to curb, there is the other part which arises from unscientific inventory management in particular and non-professionalised management generally. The latter have added to the layers of additional costs in the manufacturing industry in the country and these costs have become all-pervasive and irreversible.

An evidence of this is to be seen in the inability on the part of manufacturers of finished products in the recent period to effect cuts in the prices of finished products when the general price level declined. To the extent the credit and monetary policies combined with planned deployment of credit could bring about discipline and rational utilisation of credit, the Reserve Bank has attempted it with a measure of success. A noteworthy benefit of this is reflected in a declining proportion of the corporate sector's inventory being financed by bank credit.

According to the Reserve Bank's studies on company finances, total bank borrowings by the medium and large public limited companies in the private sector had financed about 46 per cent of the total inventories (of raw materials, finished goods and works-in-progress) in 1960-61 and this proportion steadily rose to a peak of 64.7 per cent in 1968-69. With better credit restraint and discipline and also with some increases in cost of bank borrowings, the companies were generally induced to reduce their dependence on bank funds as a result of which the bank borrowings-inventory ratio gradually declined to 51.3 per cent in 1973-74 and to approximately 50.0 per cent in 1974-75. There is scope for further reduction in this proportion of inventory financing by banks.

Keeping this and other objectives of monetary policy in view, the Reserve Bank has found it imperative to continue to pursue the broad stance of its policies with emphasis on credit restraint and discipline on the major users of bank credit. Some marginal adjustments have been made to take cognizance of the specific developments in certain areas and to introduce some degree of flexibility. In administering this flexible policy, the commercial bankers themselves have a role to play, with the active support and cooperation of their borrowers and without waiting for detailed instructions from the monetary authorities. Towards this end, I have appointed two committees essentially of the commercial bankers to suggest ways of remedial action in specific areas. Thus, the committee on penal rates and service charges which has since submitted its report has recommended *inter alia* that penal rates should not be regarded as a revenue raising measure but as an instrument to enforce discipline among the borrowers; and they are to be applied with selectivity and discrimination. The Reserve Bank has accepted its recommendations. Likewise, the committee on transfer of loan accounts, was appointed to suggest as to under what circumstances, loan accounts can be transferred so that neither the banker nor the borrower can misuse it. This report is under consideration.

In order to serve the wider objectives better, it is expected that the banks have to operate at a high level of efficiency and, therefore, a Working Group on Operational Efficiency and Profitability of Banks with comprehensive terms of reference has been appointed. More importantly, the Reserve Bank is making an earnest endeavour to bring about a more meaningful correlation between demand for and supply of credit through the mechanism of more effective credit planning. The bankers and borrowers have to admit that credit planning has come to stay as a permanent way of life so that scarce capital resources are optimally used. The Reserve Bank has enjoined on the banks to prepare quarterly credit budget, based on meaningful discussions with their borrowing constituents and reflecting the latter's business intentions accurately. Also, in the present situation, where industrial sickness is getting reported on a sizeable scale, micro-level credit planning has greater significance. However, this is an area where professional managers have to join hands

Commercial Banking Since Nationalisation

	June 1969	June 1976
Total number of bank offices of which:	8,262	21,220
Offices in 'rural' centres	1,832	7,687
Rural offices as percentage of total offices	22.4%	36.2%
Number of deposit accounts	18.33 million	55.0 million
	(as in March 1969)	(as in December 1975 estimated)
Aggregate deposits	Rs 4,650 crores	Rs 15,600 crores
Aggregate deposits as percentage of national income	15%	Over 25%
Loan accounts	11.27 lakhs	61.79 lakhs
	(as in March 1968)	(as in June 1975)
Total amount of bank credit	Rs 3,599 crores	Rs 11,711 crores
		(latest)
Credit to priority sectors (Amount)	Rs 505 crores	Rs 2,597 crores
		(as in December 1975)
As percentage of total credit	15%	26.6%

with bankers not only in identifying sickness but also in suggesting remedial measures. I would look forward to the participants of this seminar to come out with concrete suggestions on this topical issue.

In the ultimate analysis, a fulsome achievement of the manifold objectives of policies is conditional upon the earnestness with which the bankers and the borrowers establish a working partnership in the conmon endeavour of achieving national goals of rational distribution of credit, of better inventory management, of better credit and financial discipline and more generally, of relative price stability.

I am beginning to wonder, whether, if such a working partnership had existed, we could not have avoided at least partly the traumatic experience of recent inflation. More specifically, I wonder whether we could not have prevented industrial sickness now coming to the surface on such a sizeable scale. With a sound information system which could throw up warning signals and suggest financial or managerial or technical measures required for remedying the individual situations, the scope for sickness could have been reduced.

society's stake

Here, let me allude to an aspect of the country's economic management. With the public ownership of financial institutions, society has a direct stake in their operational efficiency and it would be improper, if an impression is allowed to gather around that their managerial efficiency has suffered due to their public ownership. Likewise, with sizcable amounts of public funds being made available to the private entrepreneurs either for investment or for working capital, the public sector has a direct stake in the emergence of professionalism in private sector management and thus in improving the operational efficiency of the manufacturing units.

Today, hardly any project gets implemented without substantial funds being provided by the public sector financial institutions. Even for the generality of the corporate sector, debt as percentage of equity, which was less than 20 per cent in the first half of 1960s when growth rate in industrial output was about the highest, has steadily increased to about 40 per cent now. This partly, arises from the gigantic nature of some of the recent projects in the private sector. But this only goes to reinforce the theme that society's stake in private projects has increased manifold in recent years. And a definite impression has gained currency that cost consciousness among many private entrepreneurs has suffered because their private stake in industrial projects is limited.

pivotal role

In this respect, the bankers in particular have a pivotal role to play in inculcating cost consciousness among the major private entrepreneurs. They could achieve this by pressing for better inventory and receivables management, for better cash management, and above all, for a higher degree of professionalism in top management. Even where the top management gets professionalised, the goals of the owners and those of the managers may get divorced from each other. The bankers could help narrow down such differences.

Historically, many business enterprises grew in the country with the backing of the managing agencies, their managerial, financial and techno-economic expertise. The system also had its attendant evils and it had to go. Void, if any, created by the abolition of the managing agency system could be partly filled by the bank manager not by taking direct managerial responsibility of the units financed but by inducing the promoters to induct professional management of appropriate quality and to delegate to it powers for scientific materials and man-power management.

In this sense, the bankers, as agents of change, could trigger off a managerial revolution in the country—a revolution that would throw up a managerial class with a deep sense of social responsibility. Concurrently, this would also induce an entrepreneurial revolution by transforming the business class with trading instincts into a truly entrepreneurial class.

This would, in turn, call for a basic transformation of the cadre of bank managers into a multi-disciplinary cadre with multi-dimensional role as financial advisers, techno-economic consultants, and as those who identify, promote and nurture potential entrepreneurs in various productive activities. The bank management cadre can play this multi-dimensional role only if it is kept alert and alive to the general trends in the national economy, and also to the trends in the individual industries and sectors. Collection, analysis and dissemination of such data and knowledge to the present and prospective entrepreneurs becomes imperative in their role as agents of change. In this task of building up a sound information system on the general economy, on developments in individual sectors, and also with respect to bulk consumers of credit, the Reserve Bank has been playing a significant role on which the commercial bankers could draw rather liberally.

All of these may appear a bit far-fetched for bank management but when the society's stake is so great both in terms of enormous public funds involved and the imperatives of faster growth in investment, output and employment in an atmosphere of relative price stability, I am unable to conceive of any limited role for the public financial institutions particularly the commercial banks.

a caveat

Let me add a caveat, lest what I have stated so far should give an impression that the financial institutions, primarily the commercial banks, alone have—and are capable of—the responsibility of inducing more scientific management practices in business firms, of inculcating cost consciousness among entrepreneurs, and of helping the weaker sections in their upliftment and that the private entrepreneurs have no stake in any one of these. This is not true. As I have emphasised earlier, what the banks should endeavour to bring home to the entrepreneurs is that the potentialities that exist for the economy to sustain a fairly high growth of productive capacity and employment is harnessed for the general good. This is particularly so when significant policy changes in recent months have favoured the private entrepreneurs so that they could play a wider role in the economic advancement of this nation.

These policy changes imply a trust bestowed on the entrepreneurial class in the country so that it—well-placed as it is as compared with the vast masses of people—helps among others, in the primary objective of employment creation and the removal of poverty from our midst. I have no doubt that they would not fail to respond to the society's trust so bestowed on them. Viewed in this light, there could hardly be any difference between the entrepreneur's role in the management of their production enterprises as perceived by themselves and that as perceived by their bankers. I am an ardent optimist and I would aim high at such a harmonious banker-borrower relationship.

Before I conclude, let me emphasize that banker-borrower relationship is not merely a bilateral one. It has a wider national angle, viz, one of negotiating and agreeing on the ways by which the scarce resources of the country are deployed in a planned way for the general betterment of the vast masses of the people of India.

Development of tubewell irrigation in India

B. D. Dhawan

The author, who is Reader in the Institute of Economic Growth, Delhi, has attempted an analysis of the reasons for concentration of tubewell irrigation in certain states. Vast farm areas in West Bengal, east Uttar Pradesh and Bihar, according to him, suffer from size disability. On the other hand, farm areas in Punjab, Haryana and western Uttar Pradesh suffering from the same disability are negligible. He has recommended consolidation of holdings in eastern Uttar Pradesh, failing which the option is state-owned tubewells as against the preponderance of privately-owned tubewells in western Uttar Pradesh, Punjab and Haryana.

RECENT DIFFUSION of power pumps in Indian agriculture stands in sharp contrast to the sluggish pace of overall economic development. Of the four million pumps in existence in 1974, about one-fourth were fitted to tubewells, which offers a new concept in tapping groundwater resource. The rest were mostly used as a low-cost substitute for animal/human power on open wells. But, then, the irrigation capacity of a tubewell is far greater than that of a well with a pumpset—a deep tubewell can raise as much as 1000 acre-feet of water per year as compared to about 20 acre-feet that can be at most raised by a pumpset well. It is thus the expansion of tubewells, described sometimes as tubewell 'explosion', that is of great significance and interest.

Development of tubewell irrigation in India has given rise to many interesting questions and issues. Hydrogeologists have drawn attention to the lowering of water table in some pockets where there has been excessive development of tubewell irrigation. Here then arises a new problem in water management, namely, groundwater management. Another formidable problem in management is the poor working of the state-owned tubewells, which has given rise to the question of public versus private tubewells. Then, there is the question of bringing about conjunctive use of tubewells and canals. Many interesting questions arise in the area of impact of tubewell on agriculture—on crop intensity, on crop mix, on productivity, on farmers' savings and consumption behaviour, etc.

In this article, the focus of enquiry is on the large regional differential in tubewell growth in India. More precisely, it is investigated, (a) why the tubewell explosion has been confined to the wheat belt of north-west India and (b) why the eastern Gangetic plains region, which is known to be endowed with vast groundwater resources, has not witnessed any tubewell spurt so far. (Of course, there are a few pockets in each region that are exception to the overall regional picture.)

Tubewell spurt, which commenced in the mid-sixties, has been occurring within a framework of private ownership. While cooperative ownership of tubewells is negligible, the state-owned tubewells number about 22,000. In point of fact, the share of state-owned tubewells has declined from 50 per cent in 1951 to two per cent in 1975. Notwithstanding the private or individual ownership of tubewells, the state has certainly played a vital role in the establishment of such tubewells. Not only did it launch a massive programme of rural electrification in the mid-sixties, it reoriented the underlying concept of rural electrification, from one of simple domestic connection to agricultural load. This resulted in sharp reduction in capital and operating expenditure for a prospective tubewell owner. In the absence of electricity a farmer has to go in for a diesel tubewell whose diesel engine requires proper preventive maintenance, without which a diesel tubewell is liable to frequent, and untimely, breakdown. And by encouraging liberal capital finance through institutional sources the state substantially loosened the capital constraint on farmers who want copious, timely, and year-round supplies of water for irrigation.

the turning point

Since both rural electrification and provision of institutional capital finance were stepped up in the mid-sixties, when high-yielding varieties also came on the scene, 1965-66 became the turning point in the history of growth of private tubewells. It was this explosive growth in tubewell irrigation that contributed to over-fulfilment of the minor irrigation target of the ill-fated fourth five-year Plan (1968-69—1973-74), otherwise marked for its story of missed targets.

Though up-to-date statistics are hard to come by these days, it is a common impression among informed circles that tubewell irrigation is concentrated in three areas: Punjab, Haryana and western Uttar Pradesh, which together form a contiguous region, largely spanning the western Gangetic plains and partly covering the Indus basin. (For the sake of convenience in exposition the region is simply being described as the western Gangetic plains, or sometimes, just western plains region, in order to distinguish it from the eastern Gangetic plains region.)

Of the 105,000 private tubewells reportedly being added annually, UP accounts for about 45,000, Punjab 40,000 and Haryana 5,000 tubewells. Together, these three states account for about 90,000 tubewells, which works out to about 86 per cent of the aggregate annual increment to the stock of private tubewells in the whole country. Back in 1971, for which firm data are readily available, the joint share of these three states was 428,000 (79 per cent) out of the national total of 540,000 tubewells then in existence. Their individual shares were: UP had 255,000 private tubewells; Punjab came next with 123,000 tubewells and Haryana had about 50,000 tubewells. The corresponding comparable figures for West Bengal and Bihar were 25,000 and 17,000 tubewells.

basic requirements

Certain prerequisites, such as the existence of groundwater in the shape of sandy water-bearing strata (aquifers), are to be satisfied for the use of tubewell concept of tapping groundwater. Thus, for technological reasons, tubewells are, more or less, ruled out in the large Deccan plateau; e.g. Maharashtra reported no private tubewell, and just five state tubewells, in 1971. Nor does one expect any significant development of tubewell irrigation in the saline and arid parts of Rajasthan and Gujarat till groundwater recharge improves in these parts as a result of the introduction of 'outside' canal water. The hilly states of eastern and northern India cannot, for obvious reasons, take to groundwater irrigation, not to speak of tubewell irrigation. In the case of Madhya Pradesh, where development of irrigation is hampered by undulating terrain prospects of tubewell irrigation are not bright, except in the lower parts of the Narbada Valley where some good water-bearing strata have been located through recent groundwater exploration work.

UP, Punjab and Haryana have not only the lion's share of tubewells of the country, they have also reached a stage where tubewell irrigation has become a substantial source of irrigation in their agricultural economies. This can be easily seen from the following data about the relative importance of tubewell irrigation in overall irrigation of various states, as brought out by the Agricultural Census of 1970-71.

	State	Tubewell irrigated area as % of total irrigated area
1.	Punjab	44.1
2.	UP	34.9
3.	Haryana	32.3
4.	**UP-Punjab-Haryana Region**	36.8
5.	Bihar	12.7
6.	Gujarat	5.1
7.	Tamil Nadu	1.9
8.	Andhra Pradesh	1.5
9.	Rajasthan	1.8
10.	West Bengal	4.3
11.	Orissa	1.6
12.	Madhya Pradesh	0.8
13.	Other states	1.1
	All-India	16.6

Since 'green revolution' is primarily confined to the upper Indo-Gangetic plains regions, one may be tempted to explain the regional differential in tubewell spurt in terms of the regional success achieved with HighYielding Varieties (HYV) seeds. The difficulty in accepting such a neat explanation stems from the fact that astute observers of the Indian agricultural scene have attributed the wheat revolution in the upper Indo-Gangetic plains, among other things, to the tremendous spurt in private tubewell irrigation in this region. In view of this mutually rainforcing character of the two, the problem requires investigation in a wider context with the tool of benefit-cost analysis.

There are innumerable studies on diffusion of agricultural innovations in India that have highlighted the important role played by farm size in their diffusion. It is not our purpose to delineate here the myriad ways in which farm size comes to bear upon the adoption and diffusion of agricultural innovations. Suffice it to say that for lumpy or indivisible investments whose level cannot be reduced below a certain minimum quantum, a certain proportion of the farmers cannot avail themselves of such investments so long as they cannot surmount their size disability (either by sharing the investment or its output with the farmers in the vicinity). In other words, one can visualize a minimum farm size below which investment in a tubewell is uneconomic in the sense that costs exceed benefits. We now propose to bring out salient factors that have contributed to a pitching of this minimum size of land holding for the eastern Gangetic plains to a level far, far above the corresponding level for the western plains. As a consequence, the proportion of farm acreage suffering from such a size disability in the matter of an individual investment in a tubewell is much, much bigger for the eastern plains than for the western plains. Hence, the emerging differential in tubewell explosion, and, to some extent, in the green revolution between the two regions.

economic farm size

By equating benefits with costs one can easily derive the following algebraic expression for the minimum economic farm size for tubewell of the lowest cost possible at any one point of time with a given state-of-the-arts

$$A = \frac{100.a}{I\,(B - r.C - b)}$$

In this expression, the various parameters have the following definitions:

A : Size of operated farm holding of a farmer (acres);

B : 'Net' benefit per gross irrigated acre (Rs);

I : Percentage of holding irrigated by tubewell (%);

C : 'Associated' cost of irrigation (Rs per gross irrigated acre);

r : Short-term rate of interest on working cepital;

a ; Unavoidable (fixed) cost of tubewell irrigation per year (Rs);

b : Avoidable (variable) cost of tubewell irrigation per irrigated acre (Rs).

What is noteworthy about the above formulation—which can be reformulated in a variety of ways if one so desires—is the explicit introduction of 'C', the associated cost of irrigation. Though benefit 'B' from irrigation is net of associated cost 'C', it has not received the necessary notice it deserves in investment decision-making. For, a farmer's ability to realise benefits from an irrigation investment is governed much more by his ability to find funds at reasonable price for his associated costs of irrigation than by his ability to raise capital funds for financing investment in a source of irrigation. Since the items on which associated costs of irrigation are incurred are highly complementary with irrigation input, benefits from irrigation are determined much more by the level a farmer can attain in the application of such inputs than irrigation level *per se*. It is the lack of realisation of such a need for short-term credit for associated cost of irrigation that sometimes attempts to promote minor irrigation with liberal terms for fixed capital finance elicit very poor response from farmers.

salient points

Some salient propositions which flow from the above formulation are discussed below.

1. 'A' is inversely related to 'I', with an elasicity of minus one. And it so happens that an average farmer in the eastern plains cannot attain as high a value for 'I' as his counterpart in the western plains. This comparative situation arises for two reasons. First, the use of irrigation in the eastern plains is required essentially in two seasons, rabi and zaid (summer), while the farmer in the western plains needs it, because of low monsoonal rainfall, also in the third season, namely, kharif. Second, spatial fragmentation of a holding in the east continues to be much more than in the western plains. Because of this fragmentation disability effective farm size in the east in the matter of an indivisible investment like tubewell boils down to the size of the biggest fragment to the farm holding, which is often a small fraction of the overall size of an operated holding.

2. Minimum economic size of holding bears an elastic inverse relationship with benefits 'B' from irrigation, with an absolute value of the elasticity being greater than unity. It implies two things. One, there must have been a steep fall in the minimum economic size of holding for a tubewell investment with the arrival of HYV seeds, especially wheat whose yield could be stepped up almost four-fold. Two, benefit-cost ratio for a tubewell rose sharply for farmers with holdings above the old (pre-HYV) minimum 'A' in the wake of new HYV seeds. This generation of on-farm surplus, once such farmers took to private tubewell irrigation, became a substantial source for financing many other yield-raising improvements on the farm, thereby reinforcing the forces of agricultural transformation.

Reverting to the regional comparison, one cannot help noticing a wide gap between benefits per acre from irrigation between the two regions, both at the time of onset of 'green revolution' and at present. While I do not see any compulsions of logic why farmers in the east cannot realise benefits from irrigation comparable to those being realised, or realisable, in the western Gangetic plains, the observed disparity can be attributed mainly to two factors. First, the extent and quality of agricultural extension support received by a farmer in the eastern plains has been far below the level which his counterpart has received in the western Gangetic plains. Second, interest rate on short-term credit, that is required to support the necessary expenditure on 'associated' inputs of irrigation, is known to prevail, for a number of well-known causes, at much higher level in the eastern plains than in the western plains 3. Minimum farm size 'A' is positively associated with both fixed unavoidable cost 'a' (elasticity= 1) and variable cost 'b'. Cost function for a tubewell is such that both 'b' and 'a' are known to be much higher for diesel tubewells than for electric tubewells. Since rural electrification in the eastern plains has lagged substantially behind the great progress of the western Gangetic plains, farmers in the former region were at a disadvantage in the matter of undertaking investment in tubewell irrigation on their own. Their disadvantage may have been further compounded by not getting as much institutional support for tubewell investment as their brethren got in the western plains.

By taking some typical values of the determining variables for each region, which are set out in the table below, it is proposed to bring out the great hiatus in the proportion to holdings suffering from size disability in the two regions. It may, however, be cautioned here that figures are for illustrative purpose, as I have used values of parameters on the simple judgment of the totality of situation in the two regions. I find that a farmer in the eastern Gangetic plains should have a minimum farm holding of about 14 acres if his investment in tubewell irrigation is to yield a benefit-cost ratio of just one. The

Selected Values of Determining Variables of Minimum Farm Size for Investment in a Private Tubewell

S. No.		Variable	Region	
			Eastern Gangetic Plains	Upper Indo-Gangetic Plains
1.	I	(Percentage gross irrigated area)	50	150
	B	(Net benefit from irrigation per acre)	Rs 200	Rs 400
	C	(Associated cost of irrigation per acre)	Rs 100	Rs 300
		(Rate of interest on short-term credit)	0.30	0.12
		(Unavoidable annual cost of tubewell)	Rs 1,000	Rs 600
		(Avoidable cost of tubewell irrigation per irrigated acre)	Rs 30	Rs 20

corresponding figure for his counterpart in the western Gangetic plains worked out to about one-twelfth of this, namely, 1.2 acres.

On this reckoning, broadly 85 per cent of the farm area in West Bengal, 79 per cent in east UP and 60 per cent in Bihar suffered from size disability in the matter of tubewell irrigation in 1970-71. On the other hand, not more than six per cent of the farm area in western UP, two per cent in Punjab and one per cent in Haryana appeared to suffer from size disability when it came to deciding about investment in a private tubewell.

land reforms

In the agricultural transformation of the eastern Gangetic plains the irrigation factor is not likely to play as critical a role as it has played in the western Gangetic and the upper Indus plains. Because of high and less variable rainfall the impact of irrigation on agriculture is minimal so long as the states in this region do not improve the infrastructural and institutional environment under which an average farmer operates. In the particular context of private tubewells, substantial portion of the farm acreage can benefit from this marvellous source of irrigation provided the states can promote, among other things (e.g. tenancy reforms, enforcement of land ceilings act, etc), the following :

1. Consolidation of holdings.
2. Provision of medium-term as well as short-term farm credit on liberal terms and in requisite amount.
3. Real toning up of agricultural extension service.
4. Rural electrification.

If consolidation of holdings appears to be a formidable task, state-owned tubewells can be installed. For, all public irrigation works have this signal virtue that they can overcome a farmer's size as well as fragmentation disability. Notwithstanding the management problem of public tubewells, they can still play a vital role in rural transformation of this region provided the farmers receive the necessary support in short-term credit facilities and agricultural extension work.

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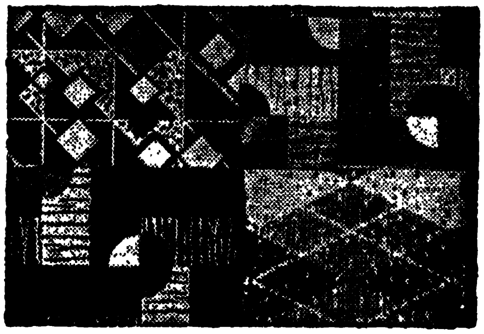

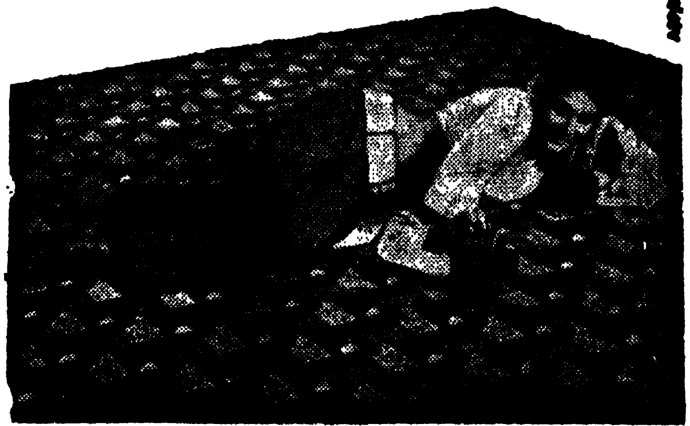

WINDOW ON THE WORLD

Weather and its whims

E. B. Brook, Vienna

This despatch points to the vagaries of weather in Europe this year and its likely impact on the world movement of grains. Mr Brook is of the view that the USSR may be obliged to import 10 to 20 million tons of grains this year and that this pattern may prevail till 1980.

THIS YEAR the weather in Europe has been exceptional. Outside here in Vienna it is raining steadily on one of the chilliest days of this generally cool summer: a little central heating would not be out of the way. Farther south, from the Italian Adriatic coast tourists are streaming home disgruntled in heavy rain before the threat of floods becomes a reality. But farther north and north-west there has been little or no rain since late in May. A two-hour flight from Vienna to London takes one from lush green to dry brownness, from chilly days to almost Mediterranean warmth.

The French farmers, always alert to capitalise their misfortunes, have demanded and obtained from an obliging Brussels a higher price for milk; the north-west European grain harvests, mostly insufficient for home needs, will be sparse. The Common Market has forecast that the western European grain harvests will be the lowest for six years. The decline in yield may be somewhat set off by an increase over last year's acreage planted of about 3.5 per cent. The Germans expect a grain yield decline from last year of some three million tons and French crops of both wheat and barley are significantly below last year's figures. There are anxieties over hay supplies and a prospective fodder shortage for cattle, but these can always be made up by imports from the more fortunate east Europe which, generally, has a satisfactory harvest this year, having had sufficient rain in early summer to nourish the growing crops.

In Britain the effects of the longest drought for a century or more are somewhat offset by a significant increase in wheat acreage — an increase of 20 per cent to reach the highest level, at three million acres, of land under wheat since 1878. As a result, the poor yields over a much wider wheat area will probably mean that the grain harvest is the UK will be about as large as last year.

European harvests, though interesting, are relatively insignificant compared with those from the vast areas under grain in the USA and Canada, in Australia, China and the Argentina. Prospects in the USA and Canada are encouraging, both producers projecting percentage increases over last year's harvests of between five and eight per cent, which means many millions of tons. The Australians expect a decrease of about two million tons compared with last year. The Argentina expects to be up to a normal yield but the Chinese may be looking to Australia once again to make up an adequate supply for their home markets.

The overall prospect appears to be no more than averagely serious despite the north-west European drought. Population increases will probably constitute a more menacing factor in the overall world food supply position than harvest yields, an element in the world food equation which India has long recognised. Other large population areas do not appear to be so sensitively aware of the near impossibility of satisfying ever-increasing demand. A third element in the food equation in the determination of the European Communist countries to satisfy the food requirements of their populations in grain, flour and in meat, which means considerably increased consumption of coarse grains and poor quality edible grains as animal fodder. The volatile situation in Poland this year and recent food price increases in Hungary — offset by higher wages — have convinced all east European governments that food is no matter with which to take the slightest risk and that many other cherished priorities must be sacrificed to ensure political safety through domestically satisfied citizens.

Soviet purchases

The Soviet Union alone will need this year, despite a good harvest, to import once again between 10 and 20 million tons of grain which pattern may extend until 1980. The Soviet Union remains a significant importer, an element which largely accounts for a growth of more than 35 per cent in its foreign trade during the current five-year plan ending in 1980, when it will be host to the Olympic Games. Capital goods imports from west Europe and the USA lead this growth, especially in chemicals and fertilizer manufacturing equipment. Last year alone, the USSR imported more than $1 billion-worth of chemical equipment. Another $1 billion is being spent on hotels and hotel equipment in readiness for the 1980 Olympics. Austria has already an almost permanent delegation in Moscow of hotel builders and equippers. Recently, Chancellor Kreisky, when asked to account for the continuing economic prosperity of his small country in a continent beset with problems, replied that heavy concentration on commerce with east Europe and with the middle east was the explanation. Other west European countries, including Britain, have found the USSR curiously whimsical in trading — intensely interested one year and coldly indifferent the next.

One apparent weakness in the Soviet pattern of trading is its heavy, and profitable, export of energy. One is obliged to wonder if reserves of natural gas are eternal; if heavy export of oil in an economy steadily increasing its industrial consumption of oil for energy may not fairly soon compel the USSR to become an importer of energy sources instead of an exporter. The insistent warnings issued from Moscow to industries in the USSR to economise and reduce their oil and gas requirements suggests that the same thought may have crossed minds in the Kremlin also.

On the anxious currency front, the French franc continues to be the centre of interest. The French trade deficit rose in July to 1,707 billion francs, compared with a surplus of 833 million francs only twelve months earlier. The franc is now one of the weakest currencies on the continent. Its fall has been accelerating lately, encouraged by persistent rumours of revaluation of the German mark. France left the European currency group oddly known as the "Snake" in March. Since then the franc has lost about 10 per cent in value against the US dollar and even more against the mark and the Swiss franc. It has weakened also against the pound, which has had its own troubles arising from disappointing trade returns. As a result, the "Snake" itself is under attack. The head of the German Federal Bank has called for a more realistic arrangement and Brussels itself has expressed concern.

The "Snake" rumours have harmed the Belgian franc, the Danish and Swedish crowns and even the Netherlands guilder, causing rises in Bank Rates. Denmark has been obliged in the last few weeks to take unusually stiff measures to aid its economy, with significantly increased retail prices, higher import duties on luxuries and some food, higher taxes and commitments to prevent wage and other income increases. With a prospect of these stringent measures stretching into 1978 or further, the measures have led to strikes and many protests.

Once the West German and the US elections are out of the way in October and November and the world has rested for the year-end 1977 is likely to see some basic resettlements in economic arrangements in west Europe If the elections return men in whom their publics have confidence for stability the changes will probably seek to effect more realistic purposes and methods in some institutions which have become over the years entrusted with precedents and a risky tendency to move too slowly to keep up with facts.

Growth outlook for the world economy

Christian Lutz

The world economy is under way again. The "limits to growth" decried by many in the recent recession have been forgotten. Forgotten, too, the zero growth idyll seized upon by idealists bent on making a virtue of necessity.

IT DOESN'T take much for public opinion to gravitate from one extreme to the other: just as it was wrong to view the recession as the end of economic growth, it would be equally misguided to overlook that the elements responsible for the showdown in growth are still operative. The fact that it took only a relatively modest revival of demand to produce a rapid increase in output is not all that surprising, given the high margin of capacity left idle by the severest slump since the war. But this is no indication that the long-term growth potential of the industrialised nations is not going to remain subdued. It will be subdued within altogether tolerable limits. The slowdown in potential GDP growth in the west will probably amount to less than one per cent.

Modest though this figure may appear in comparison with zero growth, it still represents a relative decrease in the region of 20 per cent. It shows that the change, while not dramatic, is nonetheless a long-term, fundamental one. Let us look at some of the underlying processes, taking as our reference the table (p. 535) which projects the mean annual growth rate for a series of countries over the next ten years, assuming there is no basic change in economic orientation.

It is apparent from the list that the highly industrialised economics generally do not grow as fast as some of the less developed ones. Norway is an exception in northern Europe, but only because of its oil. Few less industrialised economies actually expand at the rate commonly associated with developing countries. Leading the field are the oil-producers such as Iran, Libya and Saudi Arabia but there are also nations that have taken other paths to rapid economic development. Examples of "take-off" countries that do not rely on oil are Brazil and Mexico in Latin America, Kenya in Africa, and Singapore and South Korea in Asia. It is difficult to draw the line between what constitutes a highly industrialised economy and what not. Some eastern bloc countries can, for instance, be classed with the "take-off" group. So can south European economies such as those of Greece and Portugal. Japan, on the other hand, although it boasts a similar sort of growth rate, plainly belongs to the highly industrialised category.

In addition to these countries, which have reached or crossed the threshold of the industrial era, there is another group belonging to what we might call the "Fourth World", i.e. nations that have not yet graduated from a subsistence economy. Of the cases considered here, Ethiopia is perhaps the most typical. Other developing countries are prevented from exploiting their growth potential owing to social factors. India is a case in point. So is Zaire, which in spite of its Katanga copper is well down the growth table in Africa. A further factor is that in precisely those countries where development policy is most deficient, population growth frequently consumes the bulk of any increase in production. Typical examples are Zaire and Ghana, which, for the moment at least, cannot look forward to much improvement in their over-all standards of living. The same is true to a lesser extent for Ethiopia and India. It is countries like these that have experienced the worst balance of payments difficulties, that rely most heavily on development aid and are consequently reduced to living a precarious hand-to-mouth existence.

Whilst it is certainly the case that growth rates are tending to diminish the further industrial countries develop and the scarcer certain production factors become, making it profitable to relocate an increasing number of production processes in developing countries, the statistics show that this phenomenon has so far affected only a small part of the world and is making slow headway in global terms. Far more important, for the moment, is what is happening within the industrial countries themselves. After all, they still account for the lion's share of world production, which means that even relatively low growth rates signify a very much greater increase in absolute economic volume.

annual growth

Taking GNP as a basis, the annual growth of 3.9 per cent in the USA corresponds to an absolute increase in output of Sfr 2,463,000 million. Japan is the only other country able to match this performance. Western Europe, taken as a whole, also comes somewhere near it. However, its two most economically potent nations, France and Germany, can expect annual production growth amounting to only a fifth of America's. But this is still twice as much as Brazil, Mexico and Iran—the biggest and most dynamic of the developing countries. Using the same yardstick, Canada belongs to this latter growth category and so, in spite of everything, do Italy, the United Kingdom and Spain.

The overwhelming future potential of the USA is all the more impressive since it already has one of the most highly developed economies in the world. If we allow for the fact that North America must be viewed as the stablest region in the world in domestic, foreign and defence policy terms, while western Europe is exposed to growing economic and political fragmentation and a threat from the east, if we add the argument that the devaluation of the dollar has placed the United State costwise in a relatively favourable position internationally, and if we finally bear in mind the fears that increasing US withdrawal into isolationism could result in growing protectionism, then the present trend towards switching production resources from Europe to North America is not surprising. Even if the repercussions of this shift on the growth rate are only visible in the second figure behind the decimal point, it is arguably more significant for the moment in absolute terms than what occurs in the context of the so-called North-South question.

greater shifts

Still greater shifts are in the offing within western Europe itself. We have only to look at the annual economic growth prospects for Germany and France compared with those of the United Kingdom, which used to occupy third place, or at how rapidly Switzerland, which probably has the world's highest GNP per capita at current exchange rates but, correspondingly, the lowest growth expectations, is being overhauled by her EFTA partners.

But perhaps the most dramatic structural changes are those taking place beyond the ambit of national statistics, i.e. within the individual countries themselves. There is no need to take an extreme case like Italy with its "mezzogiorno". or underdeveloped south, that has never really been integrated into the economy. It is enough to look at a stable country like Switzerland. Of all European nations, Switzerland suffered the biggest drop in employment and production during the recession and was the last—with the possible exception of the United Kingdom — to connect with the upswing when it emerged. Why? Because the recession was compounded by serious structural problems. A break in demographic growth forced a contraction in the construction industry which went beyond the mere adjustment of inflated demand. Other sectors of the economy found themselves having to adapt brusquely to the long-term prospect of a less dynamic labour supply following much tighter controls on the admission of foreign workers. On top of this, the watch industry had to cope with a technical development that arrived on the scene much quicker than many manufacturers had expected. Finally, the export industry had to come to terms, all too suddenly, with the fact that the hitherto artificially low franc rate was now in tune with the market.

a prime example

Switzerland is, then, a prime example of the fact that the only viable long-term answer to restructuration pressures is the greatest possible entrepreneurial flexibility. And if, in spite of everything, the Swiss economy is still doing well, it is precisely because this lesson has always been taken to heart. Our export industry not only concentrates geographically on markets with the best future potential but, more important still, on having an optimum export structure in product terms. With wage costs high at current exchange rates (although they are matched by equivalent quality of labour), this means specialization on goods with a high technology input. The bulk of our exports consequently consist of sophisticated services, highly specialized capital goods and top-quality consumer luxuries, all with one thing in common—a low price elasticity of demand.

The fact that some of these goods are relatively sensitive cyclically is offset to some extent by the geographical risk distribution. An indication that the Swiss export industry is sticking to its maxim of technological sophistication is the fact that, over the past ten years, the value per ton of exported goods has been between seven and ten times higher than per imported ton. Even compared with imports from West Germany, the figure is still three to five times higher. As a result, Switzerland's terms of trade have steadily improved since the war, with only a brief interruption following the oil crisis. Why so much emphasis on Switzerland? Not just because it happens to be our own country, but also because it currently enjoys what is probably the highest standard of living in the world—which for industrialists is synonymous with the dearest labour—and is consequently a proving ground for the sort of problems confronting the highly developed countries of the west. It also serves to illustrate that the structural changes which are an inevitable part of worldwide growth can be of benefit to all parties: those whose high standards of living are obliging them to seek more profitable sites for their production facilities (and accept slower growth as a consequence), and those who act as host to these facilities and are able to hasten along their own economic development in the process.

Growth Trends up to 1985

Country	Average annual growth rate: Population	Average annual growth rate: GNP per capita (standard of living)	GNP	Increase in economic volume in Sfr: 1000 m.
France	0.8	3.6	4.4	533
Netherlands	0.7	3.7	4.4	129
Ireland	1.0	3.0	4.0	12
Italy	0.6	3.4	4.0	256
Belgium	0.3	3.3	3.6	75
Denmark	0.5	3.0	3.5	48
West Germany	—0.1	3.2	3.1	490
United Kingdom	0.4	2.2	2.6	197
Norway	0.9	6.0	7.0	78
Portugal	0.6	5.0	5.6	34
Austria	0.4	3.8	4.2	56
Finland	0.3	3.8	4.1	34
Sweden	0.4	3.1	3.5	80
Switzerland	0.2	2.2	2.4	43
Greece	0.6	5.5	6.1	59
Spain	0.9	5.0	5.9	199
Yugoslavia	1.0	4.8	5.8	58
Turkey	2.5	2.3	4.9	45
Romania	0.8	6.0	6.8	Data not comparable
Poland	1.0	4.8	5.8	
USSR	1.0	4.5	5.5	
Czechoslovakia	0.7	3.5	4.2	
East Germany	—0.2	4.4	4.2	
Canada	1.2	3.5	4.7	290
USA	0.9	3.0	3.9	2463
Brazil	2.7	4.5	7.3	285
Maxico	3.4	3.2	6.7	191
Venezuela	3.0	2.3	5.4	46
Colombia	3.2	2.0	5.3	28
Peru	3.2	1.6	4.9	24
Argentina	1.3	2.8	4.1	75
Iran	3.0	7.0	10.2	219
Saudi Arabia	3.1	6.0	9.3	52
Egypt	2.2	1.3	3.5	9
Libya	3.5	6.0	9.7	43
Algeria	3.4	4.0	7.5	34
Kenya	3.5	3.6	7.2	10
Rhodesia	3.5	3.0	6.6	—
Tanzania	2.8	3.0	5.9	6
Tunisia	2.8	3.0	5.9	9
South Africa	2.6	2.8	5.5	79
Morocco	3.3	2.0	5.4	15
Ghana	2.9	0.7	3.6	4
Ethiopia	2.0	1.2	3.2	4
Zaire	2.5	0.5	3.0	3
Singapore	2.0	6.0	8.1	21
South Korea	2.1	5.0	7.2	52
Japan	1.2	5.5	6.8	2132
Malaysia	2.8	3.0	5.9	22
Hong Kong	2.2	3.5	5.8	—
Indonesia	2.7	2.0	4.8	38
India	2.2	1.3	3.5	108
Australia	1.6	3.2	4.9	156
New Zealand	1.6	2.5	4.1	25

Sources : Compiled by Frieder Walz, Economics Department, SBC.

Courtesy: Prospects, a publication of Swiss Bank Corporation.

TRADE WINDS

Three New LIC Policies

WHILE PRESIDING over a recent function on the occasion of the twentieth anniversary celebrations of Life Insurance Corporation of India (LIC), the union Finance minister, Mr C. Subramaniam, announced that the LIC was introducing three new life insurance policies incorporating unique features and benefits hitherto not available to the public.

Money-Back Policy assures periodic lump sum payments before maturity and payment of balance sum assured with bonuses on the date of maturity, duration of the policy is either 12 or 15 years. In the 12 year term, periodic payment amounting to 20 per cent of sum assured is payable to the policyholder at the end of the fourth year and another 20 per cent on the eighth year and balance sum assured (60 per cent) with accrued bonuses are payable on maturity i.e. on completion of the twelfth year.

Should death occur at any time during the period of 12 years, full sum assured with accrued bonuses are payable irrespective of whether instalment payments have been made or not under the policy. In the case of a 15 year policy, instalments are due at the end of the fifth and tenth year and balance on completion of the fifteenth year. The percentage of lump sum periodic payments in this policy will be 25 per cent of the sum assured. These two plans supplement LIC's existing Anticipated Endowment Assurance Plans.

The Cash and Cover Policy lays down that half of the sum assured is paid over the selected term in equal instalments every five years. Sum assured less the amount already paid in instalments is payable to the family on the death of the policy-holder within the term. On his survival to the end of the term, premiums cease and half of the sum assured is payable on death thereafter. The plan is available for terms of 20 or 25 years.

The Progressive Protection Policy provides progressively increasing cover. The plan envisages that the sum assured automatically increases by 50 per cent of original sum assured at the end of fifth and by another 50 per cent at the end of tenth year. Though the premium amount payble by the assured also increases, no medical examination or other proof of health would be called for from the policy-holder. The automatic increase in sum assured will take care of the policy-holder's increased needs over a period of time while increase in the premium rates will be met by the rising income of the assured.

1976 Loans Become Repayable

The outstanding balance of the 2¾ per cent loan 1976 is repayable at par on September 16, 1976 and no interest will accrue thereon from that day. To facilitate repayment on the due date, holders of the loan may tender their securities at the public debt offices, treasuries or branches of State Bank of India and its subsidiary banks (at which they are enfaced or registered for payment of interest) on or after September 6, 1976. Full details of the procedure for receiving the discharge value of the securities may be obtained from any of the paying offices.

IFCI to Issue Bonds

The Industrial Finance Corporation of India has decided to augment its resources by a fresh issue of bonds for Rs 29.50 crores. The six per cent bonds 1986, third series, are fully guaranteed by the central government as to repayment of principal and payment of interest, and are approved securities under the Indian Trusts Act, the Insurance Act and the Banking Regulation Act. The bonds will have a maturity of 10 years and will carry interest at six per cent per annum. The issue price will be Rs 99 for every Rs 100 of the bonds applied for. 4¾ per cent IFCI bonds 1976 due for redemption on September 15, 1976 will be accepted at par for conversion into the new issue.

The subscription list will open on September 13, 1976 and will close on September 16, 1976 or earlier as soon as the issue is fully subscribed. The bonds are eligible securities for the purposes of advances to scheduled banks by the Reserve Bank of India under Section 17 (4) (a) of the Reserve Bank of India Act and are also included in the list of approved securities of the State Bank of India. These should, therefore, prove to be an attractive investment to institutional investors as also the general public. Since the repayment of principal and payments of interest on the bonds is fully guaranteed by the central government, these are also eligible securities in which both exempted and non-exempted provident funds and trusts, etc., can invest.

The corporation has already issued 21 series of bonds since 1952 for an aggregate amount of Rs 174 68 crores, out of which, the amount outstanding is Rs 146.44 crores. The Corporation, which was established under the IFC Act, 1948, has, during the last 28 years sanctioned assistance to industry all over the country in a variety of ways. The total assistance sanctioned upto June 30, 1976 was of the order of Rs 558.80 crores to 794 industrial projects covering a large variety of industries. The total assistance disbursed amounted to Rs 485.41 crores.

Coal for Thermal Stations

The union minister for Energy, Mr. K.C. Pant, has appointed a three-man committee to study in detail the problem concerning supply of coal of the specified quality and quantity, its transportation to the thermal power stations, losses in transit and other connected matters and to make recommendations for an overall improvement. This question was discussed at the chairmen of state electricity boards' conference held recently. Mr. K.P. Taimni, member, Central Electricity Authority and ex-officio additional secretary of the ministry of Energy, will be the chairman of the committee. Mr. K.S. Banerjee, director of Rail Movement, Eastern Railway, and Mr S. Chattopadhyaya, director in the department of Coal, will be the other two members. Coal India Limited, state electricity boards and other interests will be consulted and suitably associated with the work of the committee. The committee has been asked to submit its report within three months. It will examine the entire question of weighment, despatch, transportation and payments in respect of supply of coal for thermal power stations taking into account both qualitative and quantitative aspects. The committee will also suggest the measures which may be adopted to avoid under-loading of coal, to accurately determine the quantities received by the thermal power stations, to reduce the incidence of transit losses and to fix responsibility for such losses.

Stable Prices of Consumer Goods

A meeting of the representatives of industry and trade was held recently under the chairmanship of Syed Mir Qasim, union minister of Civil Supplies and Cooperation to discuss measures for maintaining price stability and ensuring easy availability of essential commodities and items of mass consumption, especially during the forthcoming festival season. The meeting was attended by Mr A.C. George, minister of state for Civil Supplies and Cooperation, senior officials of the ministries of Civil Supplies and Cooperation, Food and Commerce, the State Trading Corporation and Food Corporation of India, leading apex level cooperatives and important representatives of trade, commerce and industry, e.g., FICCI, Associated Chamber of Commerce, Indian Sugar Mills Association, Indian Cotton Mills Federation, Vanaspati Manufacturers Association etc.

After detailed discussions, the following conclusions were reached: (i) With regard to prices of levy free sugar, it was noted that, on the part of government, two major decisions had already been taken to maintain these prices at a reasonable level. The first decision was to the effect that the tariff value of sugar for purpose of excise duty would not be enhanced and the second decision was that in the month of September, the total releases of sugar in the market (both levy and non-levy) would be 330 000 tonnes. The representatives of the industry indicated their willingness to observe voluntarily price restraint in the matter of ex-factory prices.

Voluntary Restraint

As regards the Indian Sugar Mills Association, the Association had already announced that the factories in the private sector would not charge ex-mill sugar prices beyond a ceiling of Rs 335 per quintal. The representatives of the cooperative sector sugar industry which accounts for nearly half of the national production, indicated their willingness to charge not more than Rs 330 per quintal as ex-factory prices (exclusive of excise duty). Taking all these measures into account, it was agreed that the retail price of levy free sugar to the consumer, in different parts of the country, should be Rs 4.98 per kg or less. It was also agreed that an intimation to this effect would be given to the state civil supplies authorities who would take action to ensure that the distributive trade operates within this price discipline.

Textile Prices

With regard to availability of controlled cloth, for the forthcoming festival season, it was observed that the normal production level of the industry is now placed at 22000 bales per month. The Indian Cotton Mills Federation agreed to advise the mills to endeavour to produce a larger quantity of controlled cloth for meeting the demand in the festival season and the credit for this additional production would be given to the mills by the Textile Commissioner in the subsequent quarters.

With regard to prices of non-controlled textiles, it was noted that the price stamping scheme had come in operation only recently. It was also observed that a study of distribution margins in the textile trade has been entrusted to the National Council of Applied Economic Research. It was decided that this matter should be reviewed after the report of the NCAER is available.

Vegetable Oil

With regard to vanaspati, the representatives of the industry agreed to ensure that the normal pattern of production is maintained so that adequate quantity of bulk-packed vanaspati is available for retail sale. It was also agreed that the vanaspati units would supply information to government authorities with regard to quantity of their production issued by them to the wholesalers and retailers so that the government authorities can monitor the movement of availability of such production.

With regard to price of vanaspati, it was noted that the vanaspati industry had already agreed to charge an ex-factory price not exceeding Rs 118 per tin of 16.5 kgs. It was however observed that the reduced ex-factory price was not adequately reflected in the retail prices. The industry accordingly agreed to supply to government authorities the effective retail prices in respect of major consuming centres. It was also decided that the industry would intimate to government authorities the ex-factory prices in respect of small-supply packs corresponding to the price of Rs 118 for 16.5 kg tins.

Tariff Value on Woollen Fabrics

The government has decided to revise upwards the current tariff value for processed woollen fabrics produced by factories other than composite mills and falling under Item 21 of the Central Excise Tariff. Simultaneously effective rates of duty payable on fabrics processed by independent processors have also been revised up-

Viking-II

Viking-II landed on Mars on September 4, 1976 in the valley called "Utopia" within six weeks of the touchdown of Viking-I. Viking-II will be looking for confirmation of signals sent back by Viking-I that microscopic form of life may exist in the sticky, red soil of Mars. The first two photographs sent back by Viking-II show a desert terrain similar to the landing site of the earlier probe. The photographs were very clear, showing that the first camera on the module was working well. Over the next few days, Viking-II will continue to take photographs of the area around the site. Viking-II also began investigating the rocky slopes for signs of marsquakes. Scientists had been concerned about Viking-II's seismometer, both because the craft apparently landed quite hard and because the quake-measuring instrument abroad Viking-II could never be uncaged after the landing. But Viking-II has already sent word that its seismometer was functional and quite clearly operating as expected.

wards. Processed woollen fabrics produced by factories other than composite mills, are assessed to central excise duty on the basis of tariff values fixed by the central government. Such fabrics, if processed by independent processors, are eligible to pay duty at lower rates as compared to that payable on the fabrics processed in composite mills. The tariff values fixed for the processed woollen fabrics produced by factories have been the subject matter of review and the same have now been revised upwards from August 30, 1976, in view of the increase in the market prices thereof. As a result of the upward revision of tariff values, it has also been felt necessary to rationalise the effective rates of duty payable on the fabrics processed by independent processors. There will, however, be no change in the effective rates of duty on fabrics manufactured and processed by composite mills. The revised tariff values and the rates of basic excise duty and additional excise duty have been notified and are effective from August 30, 1976.

BHEL Contract from IFFCO

A contract for the design, supply, erection and commissioning, on turn-key basis, of three 125 MT/hr steam generation plants was signed recently between the Indian Farmers' Fertiliser Cooperative Limited (IFFCO) and the Bharat Heavy Electricals Limited (BHEL), one of the major public sector undertakings under the ministry of Industry. The value of the order is Rs 18 94 crores. The three generation units are scheduled to be commissioned within a period of 28 months. Excepting inland freight, the payment to the BHEL would be made in foreign exchange to the extent the project is financed by the International Bank for Reconstruction and Development.

Improved Kerosene Stove

A new non-pressure wick stove with 10 to 15 per cent better thermal efficiency than even the pressure stoves and cooking gas burners available in the market, has been developed by the Research and Development Centre (RDC) of the Indian Oil Corporation. The improved wick stove which was sponsored by ministry of Petroleum, would lead to reduced kerosene consumption and could save the country ultimately about Rs 30 crores a year by eliminating imports.

Canadian Contract for Kudremukh

The Canadian firm, Met-Chem Consultants Limited has been appointed as Mining Associate and Engineering Constructor for the Kudremukh Iron Ore Company Limited. Met-Chem is a fully owned subsidiary of US Steel Corporation. Met-Chem will be responsible for planning, design, engineering, procurement services, project management, supervision and operation of the plant during the first three years of production under the overall control of KIOCL. In the execution of the project Met-Chem will utilise the services of indigenous design, engineering and construction and manufacturing agencies to the maximum extent possible. The project is expected to be completed in 40 months from September 1, 1976 onwards. The first consignment of iron ore concentrate to Iran is expected to be shipped in September, 1980. India is to supply 7.5 million tonnes of iron ore concentrates per year to Iran for a period of 20 years according to the agreement signed between the Steel Authority of India and the Imperial Government of Iran. Iran has agreed to give a credit of 630 million US dollars for implementing the project. Of this first instalment of 100 million dollars has already been received.

Export of Woollen Carpets

Of the estimated volume of world trade in hand-knotted oriental carpets at Rs 400 crores, India's share is about 10 per cent. In 1975-76 the country's export value of woollen carpets including namdas, rugs and druggets has been estimated at Rs 40 crores as compared to Rs 36.1 crores in 1974-75, Rs 26.4 crores in 1973-74 and Rs 21.4 crores in 1972-73. About 90 per cent of India's total production of the carpets is exported and the destination is mainly to developed market economies. Of the total export of handicraft items from India, the share of woollen carpets is around 39 per cent (1974-75). The two leading buyers of Indian carpets have been the Federal Republic of Germany and the USA. In 1974-75, they bought worth Rs 13.23 crores and Rs 11.33 crores. Next in importance were Canada, the UK, Belgium and Luxembourg, Sweden, Australia, Switzerland, the USSR, Netherlands, Denmark, and France in that order in the same year.

The government has taken several export promotional measures to boost the carpet exports. Carpets have been recognised as non-traditional items of export for the purpose of according recognition to the exporting firm as an eligible export house and for issuing to it blanket permit of foreign exchange. The export of hand-knotted washable woollen carpets (manufactured with wool pile having upto 150,000 knots per sq metre) is subjected to compulsory preshipment inspection. Facilities, such as, import replenishment against carpet exports have also been introduced. With a view to expanding the production base for carpets, several carpet weaving training centres have been set up in different parts of the country and a detailed plan to train 30,000 weavers by 1978-79 is under implementation. An institute for carpet technology is also expected to be set up shortly. Centres for development of blanket industry in Jammu and Kashmir and Himachal Pradesh are proposed to be set up. These incentive packages available to exporters are expected to sustain the trend of export growth of exports from this country.

Exchange for Input Imports

As part of a new strategy to increase production and promote exports, Rs 400 crores worth of additional foreign exchange has been allocated for the import of raw materials and other essential industrial inputs. Orders for the large-scale import of these industrial raw materials are being placed immediately and it is expected that most of these imports would become available within the next two months. In fact, large consignments of items like polyester fibre, cotton and plastic resins are already on way. The liberalised import policy has become possible mainly as a result of the improved foreign exchange position.

At a recent high-level review

of the economy it was found that while, on one hand, large industrial capacities were idle for want of raw materials, on the other, there was increasing overseas demand for these very items.

Capacity Utilisation

It is felt that it would be necessary to make optimum use of unutilised capacities to check inflationary pressures and if, for any temporary reason, there is any short-fall in demand, the increased part of production should be used for exports. The items facing a temporary shortfall in domestic demand and having maximum export potential have been identified and the benefit of liberalised import policy will be given to such items on a priority basis.

Names in the News

Mr **A.S. Ruia** has taken over the presidentship of the Indian Sugar Mills Association. Mr **P.K. Kanoria** was elected as the vice-president of the association.

Mr Kan D. Mariwalla has taken over as the new chairman and managing director of the National Industrial Development Corporation, a public sector undertaking under the ministry of Industry. Mr. Mariwalla is an eminent consultant engineer and has an experience of over 25 years in design, consultancy, construction and manufacturing fields in India and abroad. He was worked as an expert adviser for the UNDP, the UNIDO, the ESCAP, the OECD, the ADB and other international agencies for the development of engineering services and R & D activities in many developing countries.

Readers' Roundtable

Educated unemployed

Sir, I am referring to Mr K. K. G. Nambiar's article, Unemployment Among the Educated — Why? in the *Eastern Economist* dated August 13, 1976. Mr Nambiar holds the system of education obtaining in India responsible for the unemployment among the educated. He calls the educational system colonial. (Though I do not hold a brief for the present system I do not know what he precisely means by this. On the same analogy there can be a fascist system of education, an imperial system of education, a capitalist system of education and so on and so forth.) If he has any alternative plan of education, let him adumbrate it; so far we have had only criticisms.

What the Radhakrishnan and Kothari commissions could not do, it seems to me, Mr Nambiar can do. Let him start from the school. Let him redraft the school syllabi. There are the kinds of so-called experts at unemployment among the educated. First, those who know economics but not education. Second, those who are the educationists but do not know the dismal science. Unless a person knows both, his diagnosis and treatment will be of no use.

Employment is the function of dynamism of an economy. It applies to all types of employment whether wages of self, educated or uneducated, skilled or unskilled. If the economy is dynamic it will provide employment to all those who want it. If, however, it is static it will provide only as many jobs over a period of time as fall vacant by death or retirement. On the one hand we have a dynamic population growing at the rate of nearly 2.5 per cent per year and on the other we have a near static economy. Any amount of tinkering at the educational system will not alter this basic imbalance. As long as there is no equilibrium between the growth of population and dynamism of economy, unemployment shall remain. Any amount of job orientation, work experience or vocationalisation of education will prove to little avail. Technical education is no remedy for unemployment. Had it been so, engineers and doctors would not have been unemployed.

Our educational system is a dim carbon copy of Oxford and Cambridge. We have nearly all the courses that are in Oxford and Cambridge or Harvard. But we do not have that economic base and apparatus, to absorb the products. We teach aeronautics and space engineering in our universities but our economy cannot provide employment to those who are trained in these disciplines. Can a cow-dung economy provide employment to space engineers? It is very unfortunate that the failure of the economy is being attributed to education.

There is many a cobweb regarding education. I think it my duty to blow them away. Education means sharpening of minds. There is no direct way of sharpening the minds except to increase the memory, observation, collection of facts and ideas and to draw inferences. Education means acquainting the students with the wisdom, thoughts, inventions, aesthetics and discoveries which poets, philosophers, essayists, novelists, dramatists, scientists and biographers have contributed so far. Teaching a girl how to type fast and accurately is not education. Ladies and gentlemen are educated but dogs and horses are trained. Let there be technical training but only after the minds have been sharpened.

August 24, 1976 **R.K. Bajpai**
Principal,
Bikram College of Commerce,
Patiala

K.K.G. Nambiar writes:

I am thankful to Mr Bajpai for commenting on my article. The issues involved are fairly complex permitting of no easy generalisation. The contradiction in Mr Bajpai's comment reflects this point. For, despite his sarcastic questioning of my basic contention that our education system continues to be colonial, he could not help concluding that "our educational system is a carbon copy of Oxford and Cambridge." This was exactly my complaint too and the ills of our education as analysed by me originate from it.

No one could question Mr Bajpai's general observation on education that "education means sharpening the mind". But the question in poor societies is after sharpening what? Ultimately this sharpening must lead to ways and means of satisfying human wants, needs and expectations. Can we rest content with a society where minds are sharp but stomachs are empty and backs are bare? In an industrial society, the objectives of education should be to help one to "sharpen" the mind and *simultaneously to attain a tolerable living standard.* An education system that fails to achieve this goal can hardly boast of serving the best interest of society. Otherwise, education becomes both obsolete and purposeless. But those closely connected with education like Mr Bajpai appear to feel differently. This is unfortunate.

COMPANY AFFAIRS

Syndicate Bank

SYNDICATE BANK has reported all-round improvement in its performance during the year ended December 31, 1975. Deposits during the year recorded a smart rise to Rs 536.60 crores, registering an increase of Rs 110.54 crores or 25.9 per cent over 1974. The deposit growth rate during the year compares favourably with the growth rate of 16.4 per cent of the banking system as a whole.

The bank continued to be in the forefront in the mobilisation of small savings. The savings bank deposits rose by Rs 24.22 crores to Rs 132.24 crores during 1975. The deposits collected under Adarsh and Pigmy deposit schemes. specially designed to suit small man, amounted to Rs 28.97 crores during the year. The total deposits under the schemes increased from Rs 33.66 crores to Rs 39.17 crores, recording an increase of Rs 5.51 crores or 16 per cent.

Credit Growth

The bank's credit during the year went up to Rs 381.09 crores, an increase of Rs 99.72 crores or 35.4 per cent over 1974. The deployment of credit continued to be directed towards priority sectors and public sector undertakings. During the year under review the bank opened 67 new branches, raising the total number of branches to 778. At the end of 1975, fifteen extension counters were also opened, carrying the total to 41. Of the 67 branches, 30 were in rural areas, 11 in semi-urban areas, 11 in urban centres and 15 in metropolitan/port town centres. The bank had, at the end of 1975, 524 branches (67 per cent of the total) in rural and semi-urban areas. The bank has opened recently its first overseas branch at London.

The net profit earned by the bank during the year was a shade higher at Rs 1.55 crores as against Rs 1.52 crores in 1974. A sum of Rs 0.45 crore was appropriated to reserve fund and Rs 0.86 crore to contingencies. The balance of Rs 24.72 lakhs was transferred to the central government.

Kalasa Tea

Kalasa Tea and Produce Company Ltd has earned a higher profit of Rs 5.84 lakhs during the year ended March 31, 1976 as against Rs 4.40 lakhs in 1974-75. The profit has been arrived at after providing Rs 1.58 lakhs for depreciation as compared to Rs 1.26 lakhs in 1974-75 and Rs 7.80 lakhs for taxation as against Rs 5.40 lakhs in the preceding year. After adding Rs 17,154 brought forward from the previous year, the total disposable supplies amounted to Rs 6.02 lakhs. Out of this, Rs 3.00 lakhs was transferred to general reserve and Rs 33,000 to development allowance reserve, leaving a balance of Rs 2.69 lakhs. The directors have recommended a dividend of 16 per cent which will absorb Rs 2.56 lakhs. The remaining amount of Rs 0.13 lakh has been left unappropriated. With the capitalization of reserves and issue of 200,000 bonus shares during the year the paid-up capital of the company has been increased to Rs 16.00 lakhs.

Morarjee Goculdas

Despite adverse factors Morarjee Goculdas Spinning & Weaving Co Ltd, has reported considerable improvements in sales and profits during the year ended June 30, 1976. Sales during the year mounted to Rs 27.91 crores from Rs 25.34 crores in 1974-75 while gross profit was higher Rs at 222.63 lakhs as compared to Rs 201.45 lakhs in the preceding year. After adjustments the disposable surplus amounted to Rs 226.53 lakhs. Out of this, a sum of Rs 64.56 lakhs was appropriated to depreciation reserve, Rs 116.28 lakhs to general reserve, Rs 3.50 lakhs to investment allowance reserve, Rs 36.00 lakhs for taxation and Rs 6.19 lakhs for gratuity. The directors have recommended a dividend of Rs 20 on equity shares of Rs 100 each. It will amount to about Rs 37.38 lakhs. Besides the directors have recommended an issue of 93,437 new equity shares as bonus shares in the proportion of one bonus share for two existing equity shares.

Cimmco

The Central India Machinery Manufacturing Co. Ltd. has returned to the dividend list after lapse of a year. The board of directors have recommended an equity dividend of eight per cent for the year ended March 31, 1976 which is the same as was paid for in 1973-74. The arrears of preference dividend for the year 1974-75 have also been cleared.

During the year, the revenue from sales advanced from Rs 16.67 crores to Rs 17.23 crores while gross profit too improved to Rs 32.85 lakhs from Rs 22.64 lakhs in 1974-75. Out of the gross profit the directors have allocated Rs 23.50 lakhs to depreciation reserve, Rs 32.50 lakhs to general reserve, Rs 15.50 lakhs to dividend reserve and Rs 34.11 lakhs as provision for gratuity written back. The balance of Rs 0.11 lakh has been carried forward.

The textile division of the company has reported satisfactory working results during the year under review, in spite of the continued crisis in the textile industry. Research and development work to improve the present models of automatic loom, winding and warping machines is continuing. New models of heavy canvas looms, pick-at-will non-automotie looms and full automatic drop box looms are under plant trials and are expected to be introduced in the market by the end of this year.

New Products

Keeping in view the demand for sophisticated machinery, the Company has decided to manufacture 'DORNIER' Shuttleless Loom in collaboration with Messrs Lindauer Dornier Gesellschaft, West Germany. Necessary agreement with 'DORNIER' has been signed and submitted to the government for final approval. Negotiations for the manufacture of automatic high-speed cone winding machines, for which the government of India has issued the letter of intent, are also in progress. This division has received the 1974-75 Export Award of the Textile Machinery Manufacturers Association for its outstanding performance in export of weaving textile machinery.

The results of the shuttle division continue to be satisfactory. The result of the steel foundry for the first half of the year were quite satisfactory, but in the latter part of the year, due to drastic cut in wagon procurement by the Railway Board, reduction in the planned expenditure in most of the government and semi-government plants and the recessionary trends in the market, forced industries to cut down their requirement of steel castings. Consequently, there was a shortage of orders and whatever orders were booked were of low realisation. The outlook for the current year for this division is uncertain. However, efforts are being made to find new areas of diversified products and towards this end this division has developed some of the steel castings required for heavy engineering, heavy electricals, steel plants etc.

The performance of the wagon and structural division was far better than previous year due to better productivity economics and economics in scale of operation.

This division has completely executed the order of wagons for Malaysia. The company is continuing its efforts to book more orders for exports to Nigeria, Poland and Yugoslavia.

Calico

Although the turnover of Ahmedabad Manufacturing and Calico Printing Company Ltd, has gone up to Rs 70.18 crores during the year ended March 31, 1976 from Rs 69.75 crores in 1974-75, the gross profit has declined steeply from Rs 7.03 crores to Rs 3.97 crores. The directors have recommended a dividend of Rs 19 per equity share of Rs 125 each. It will absorb Rs 1.16 lakhs and will be paid out of the surplus on profit and loss account.

The polymer plant recommenced production in February 1976. The fibre marketed by the company under the brand name 'Ilacron' has been well received.

The central government has announced the scheme of 25 per cent excise rebate for excess production in respect of such commodities as calcium carbide, caustic soda, chlorine, synthetic resins and plastic materials and these concessions are expected to provide some relief to the company.

In accordance with the scheme of amalgamation of the Bank of India Ltd with the company, the holders of eight per cent convertible bonds of Rs 100 each have exercised the right of conversion of their 104,580 bonds into fully paid ordinary shares of Rs 125 each. The directors have extended the date for surrender of the share certificates of the Bank of India Ltd to December 31, 1976.

STC

Despite decline in commodity prices in world markets, the State Trading Corporation has emerged as the single largest exporter in the country, with growth rate of 36 per cent. As against Rs 558 crores in 1974-75, STC's export turnover in 1975-76 amounted to Rs 760 crores, contributing to almost one-fifth of the country's total export trade. The import turnover dropped to Rs 217 crores from Rs 232 crores in 1974-75. This was due to lower international prices and more judicious buying by the STC and increased indigenous availability. STC's total turnover (including domestic) was significantly higher at Rs 981 crores as compared to Rs 794 crores in 1974-75.

Notwithstanding the record growth in export turnover the profit before tax fell by Rs 4 crores to Rs 15 crores. It is significant to note that exports of certain commodities were sustained by STC by undertaking trading losses while selling prices of many imported materials were reduced. Sugar, the single largest item of export was handled on normal commission basis and profits were to the account of government. The ratio of overhead costs to sales, however, improved further during the year.

Development Fund

Out of the profits of the year, a further sum of Rs 3 crores was transferred to the Export Development Fund. The total sum available under the fund will amount to Rs 6 crores.

The directors have recommended a dividend of 15 per cent as compared with 12 per cent of last year. Of the issued capital of Rs 10 crores, total dividend payable will amount to Rs 1.5 crores.

News and Notes

The first project in the country for manufacture of stainless steel capillary tubes is now under construction in Ahmedabad. **Gujarat Industrial Investment Corporation Ltd.** (GIIC) has sanctioned total assistance of Rs 1.64 million for the project which will generate investment of over Rs 7.5 million. At present the entire requirement of the country for stainless steel capillary tubes is being imported and the proposed new project will facilitate production of hypodermic needles, quality pens while rendering easier supplies of such material to the manufacturers of scientific instruments, electrical and electronic items, besides the research institutions, power plants etc. The likely export market is also under detailed study.

The directors of **Motor Industries Co** have declared a one-for-two bonus issue against the earlier proposal of issuing one-for-four bonus shares. For

6 percent Uttar Pradesh State Development Loan 1986

Second Issue

Issue Price Rs. 99.00 per cent.

Opens for Subscription on 15.9.1976

The Loan will be closed as soon as total amount of approximately Rs. 26.25 crores has been subscribed and in any case not later than the close of business on 18th September, 1976.

The Loan will be Utilised Towards the Development Programme of Uttar Pradesh.

The loan applications will be received at :

1. Offices of the Reserve Bank of India at Ahmedabad, Bangalore, Bombay (Fort and Byculla), Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna.
2. State Bank of Bikaner & Jaipur at Jaipur.
3. Branches of the State Bank of India within the State of Uttar Pradesh except at Kanpur.

All are requested to Subscribe Generously to this New Loan. Application forms and full particulars can be obtained at any of the above receiving office.

the revised bonus issue proposal, a sum of Rs 4.22 crores will be capitalised from the general reserve.

Mr H. Holck-Larsen and **Mr Shambhu Mitra** received the 1976 Magsaysay Award from Mr Enrique M. Fernando, Acting Chief Justice of the Supreme Court of Philippines in Manila on August 31, 1976. The Magsaysay Awards, Asia's version of Nobel Prize, are given annually to five outstanding individuals or institutions in Asia in memory of the late Philippine President, who died in an aeroplane accident 19 years ago.

Mr Holck-Larsen, chairman, Larsen & Toubro Limited, has been given the award for international understanding, in recognition of his "signal contribution towards India's technical modernisation, complementing industrialisation with compassionate human concern."

New Issues

The **Agricultural Refinance and Development Corporation** (ARDC) has decided to raise its paid-up share capital from Rs 25 crores to Rs 35 crores by issue of additional shares of Rs 10 crores (10,000 shares of Rs 10,000 each) to the eligible institutions. The shares are guaranteed by the central government as to repayment of principal and payment of a minimum guaranteed dividend of 6.25 per cent per annum. The issue will remain on tap from September 6 to October 5, 1976 (both days inclusive).

Out of the issue, the Reserve Bank will subscribe for 5,000 shares, while the state co-operative land development banks and state cooperative banks together will subscribe for 2,500 shares, the balance of 2,500 shares being subscribed for by scheduled commercial banks, rural banks, LIC, and insurance and investment companies.

The issue of additional shares is proposed in the context of the need of strengthening the share capital base of the corporation in line with the increased lending activities in diversified fields. The corporation has disbursed refinance totalling Rs 594.20 crores upto the end of June 1976; disbursement during the year 1976-77 is expeced to be about Rs 200 crortes.

Capital and Bonus Issues

Consent has been granted to eight companies to raise capital of over Rs 31.29 million. According to an official release. The details are as follows:

Detergents India Limited, Nellore (AP) has communicated to the government of its proposal to issue capital under clause 5 of the Capital Issues (Exemption) Order, 1969 for Rs 8.60 million divided into 860,000 equity shares of Rs 10 each (inclusive of the capital of Rs 2.66 million already raised) for cash at par. The proceeds of the issue are to be utilised to meet a part of the project to be set up in Cuddapah district (AP).

US Vitamin and Pharmaceutical Corporation (India) Limited, has been accorded consent valid for three months, to capitalise Rs 2,683,200 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of eight bonus shares for each equity share held.

Vardhman Spg. and General Mills Limited, has been accorded consent valid for six months, to capitalise Rs 4,394,000 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for every two equity shares held.

Navrang Dyeing Private Limited, Bombay, has been accorded consent, valid for six months, to capitalise Rs 300,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for each equity share held.

IA and IC Pvt Limited, Bombay, has been accorded consent, valid for six months, to capitalise Rs 500,000 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for each equity share held.

Ceat Tyres of India Limited, has been accorded consent, valid for six months, to capitalise Rs 5,566,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every seven equity shares held.

German Remedies Ltd, Bombay, has been accorded consent, valid for six months, to capitalise Rs 4.25 million out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for every two equity shares held.

Sundaram Finance Limited, has been accorded consent, valid for six months, to capitalise Rs 5 million out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for every two equity shares held.

The application for the issue of bonus shares of Rs 10,00,500 made by **Indoceanic Shipping Co Pvt Limited**, has been rejected by the central government.

Dividend

(Per cent)

Name of the company	Year ended	Equity dividend declared for Current year	Equity dividend declared for Previous year
Higher Dividend			
Transformers & Electricals	March 31, '76	12.0	6.0
Sri Ramakrishan Steel Industries	March 31, '76	15.0	12.0
Central India Machinery	March 31, '76	8.0	Nil
Same Dividend			
National Tobacco	Dec. 31, '75	Nil	Nil
Gourepore Co.	Dec. 31, '75	Nil	Nil
United Brewerics	March 31, '76	7.5	7.5
Kailas Rubber	February 29, '76	12.0	12.0
Mysore Paper Mills	March 31, '76	10.0	10.0
Reduced Dividend			
Bowreah Cotton Mills	Dec. 31, '75	2.5	10.0
South India Shipping Corpn.	March 31, '76	20.0	40.0
Malankara Rubber	March 31, '76	25.0	30.0

Stewarts and Lloyds of India Limited

Chairman's Statement

YOUR COMPANY achieved some very encouraging results during the twelve months under review, having improved significantly on its performance during the previous year. These results are all the more gratifying because they were achieved during a period when Industry, as a whole, and the Engineering Industry in particular, was in the grip of a serious depression. This is a good augury and can be interpreted as offering positive encouragement in regard to the future of your company.

Shri S. L. Dass

I referred in my report last year to the Management's efforts at moving towards greater sophistication in both our production and construction activities while, at the same time, keeping a close watch on the ever changing market conditions which protected the Company's long term interests and totally avoided high risk business opportunities. It can be stated that the good results achieved in 1975 are a spin-off of these efforts. The sales turnover of Rs 7.80 crores for the year represents an increase of 22 per cent over the previous year, while profit before taxation amounting to Rs 48.54 lakhs was substantially higher than last year's figure of Rs 35.08 lakhs.

I am glad to say that the serious liquidity problem faced by the Company to which I referred in my report last year was successfully overcome, but unfortunately several of our major clients continued to suffer from it, thus preventing them from proceeding with the execution of projects already cleared from the drawing board. This, coupled with the general recessionary conditions prevailing throughout the Country, resulted in a drop in order bookings during the second half of the year and, but for this, the company's results might have been even better. Inflation, though admirably controlled by the Government, affected some of the Company's costs, particularly in the case of consumables such as gas, electrodes and oil. There were increases in wages as well, but the total wage bill was contained through a planned reduction in our field erection forces.

At the Annual General Meeting last year I had stated that the question of making a Bonus Issue this year would be seriously considered. You will, therefore, be glad to see from the Directors' Report that the issue of bonus shares has been recommended.

I am happy to report that our labour relations continue to remain healthy and despite the problems faced by Industry arising from inter-union rivalries, the relative peace enjoyed in our main plants at Calcutta is a measure of the sound understanding that exists between labour and management.

Although 1976 is likely to be a more difficut year, our confidence, which stems from two successive years of positive progress, leads us to believe that with the efforts being made in all major key result areas, we should not only hold on to the gains already achieved, but improve upon them. We continue, of course, to depend very much upon Government's overall development plans and fiscal and economic policies for revival of industrial activity which, going by recent trends, are positive and encouraging.

I am sure that you will wish to join me and my colleagues on the Board in extending to all members of the Company's management, staff and workers, our congratulations and a very warm word of appreciation for the sincere and dedicated work put in by them which has contributed to these heartening results.

Sd/-
S.L. Dass
Dated, Calcutta Chairman
17th July, 1976.

(N.B. This does not purport to be the proceedings of the Annual General Meeting held on 20th August, 1976.)

NOTICE

THE CALCUTTA ELECTRIC SUPPLY CORPORATION LTD.

(Incorporated in England)

7¾%Debenture Stock 1980

Interest for the half year ending 14th October 1976

Notice is hereby given that Interest at the rate of Rs. 38 75 P. (less Indian Income Tax) per Rs. 1,000/- of Stock will be paid on 15th October, 1976 to Debenture Stockholders registered in the Books of the Company on 2nd October, 1976. Applications for transfers received at the Company's Office at Victoria House, Post Box 304, Chowringhee Square, Calcutta, upto 2nd October, 1976 will, if otherwise satisfactory, be registered at that date for the purpose of participation in the above Interest.

Debenture Stock Transfer Book will be closed from 3rd October, 1976 to 14th October, 1976, both days inclusive.

By order of the Board
S. K. NIYOGI
Secretary

Victoria House
Calcutta 700 001
26th August, 1976.

The Britannia Biscuit Company Limited

The healthier the Company, the greater an asset it is to the national economy.

Extracts from the speech delivered by Mr. K. Julian Scott, Chairman, at the Annual General Meeting of The Britannia Biscuit Company Limited held at Calcutta on Friday, 3rd September, 1976.

The Company has had an exciting and a successful year. Sales, exports and profits were all at the highest level in the history of the Company. Our performance in 1975/76 again establishes the soundness and the strength of Britannia in terms of financial management and competence in organisational and business strategies. Sales at Rs. 38.87 crores have improved by 18.6% and earnings have risen by 20.9% to Rs. 1.18 crores compared to last year. The increase in earnings per share is up from Rs. 3.67 in 1974/75 to Rs. 4.43 in 1975/76. Exports at Rs 2.51 crores are up 222%.

The year has not been without hazards, but in the light of improving circumstances, the difficulties have tended to get resolved more easily.

We have moved beyond the era when some people harboured the belief that an ineffective Government would leave them totally free to pursue their private interests. During the early part of 1975, many observers were disillusioned by the repeated failure of innovative public programmes to achieve their goals. Very often, what appeared to be bold and excellent ideas did not produce the promised results after they were enacted.

It is in this context that we should take stock of the role of the Emergency in our national affairs. It restored discipline when discipline had almost disappeared and at times authority was disrespected. It gave a sense of national purpose and direction, when the nation was drifting. It controlled inflation, when according to the International Monetary Fund, consumer prices in most countries rose by over 12% whilst India showed a decrease of 5.6%. All this has created confidence in the Government's ability to cope with the problems of the day.

It is because the right conditions were created by the Emergency that we have been able to carry out our commercial operations successfully. This serves to highlight how dependent commercial activity is on the environment created by political stability, labour discipline and effective Government.

It is customary to measure the success of a commercial enterprise by the profit it earns. Other factors also reflect success, but without profits there can be no success, no growth and no survival. It is heartening to know that there is now a greater public understanding of the role of profits in a commercial enterprise. The Government itself has started applying increasingly this test of success to those of the national public sector enterprises which are purely commercial in character. In Britannia we believe that the healthier the Company, the greater an asset it is to the national economy.

The concept that the main purpose of commercial effort is directed towards enriching a few owners, is outmoded in today's world. First of all, increasingly, the management of companies is passing into the hands of professional managers, who have to possess a balanced sense of responsibility to the shareholders, employees, customers and the development of the business on an enduring basis. Secondly, ownership is being enlarged in public companies to include many small investors who seek a fair return on their capital and an appreciation in value for their savings.

For over half a century, we have combined tradition with up-to-date methods, thereby preserving the virtue of tradition without losing out on the advantages of modernity. Today the modern public company is an organisation based on the partnership of participating groups with each group sharing in the benefits of the enterprise.

We welcome the Governmental action designed to encourage consumerism in the country. The consumer must be protected from adulterated products and false and misleading product claims. He must be made aware that the goods and services provided by the corporate sector are for his benefit. He must also know that he is the final judge to decide whether or not an enterprise will be successful, since his decision to buy or not to buy determines the success or failure of the enterprise.

We are convinced that our success, especially in the year under review, when conditions have been difficult for the industry as a whole, is our reward for the confidence that the consumer has in the quality of Britannia products.

Unfortunately, there is a great deal of ignorance about the part played by private enterprise and business profits in the growth and prosperity of the country. The corporate sector must try to explain itself to its employees and the community and bring about a growing awareness that manufacturing industry provides much of the wealth on which society exists.

A subject which is close to all of us and which is attracting national attention is the social responsibility of the corporate sector. I believe that if a business does not fit the public image of what a business should be, then in the long run, business freedom will be restricted. I am convinced that corporations which understand this concept will continue to prosper as they bend, sway, move and shift their operations to shape up to the challenges of ever-changing conditions.

We in Britannia have always been conscious of our social obligations and our members have this sense deeply ingrained in them. We have, however, very strong feelings about exploiting this activity for propaganda value. We feel that if this is done, it warps the sincere motivaton behind such activity and it leads to choosing areas of work with the greatest publicity potential. We do not believe in charity for the sake of charity, but in helping people to help themselves and this is the central theme for our social activity.

I think, however, that the

time has come when the social activity of the corporate sector needs to be mobilised on a nationally organised basis. I believe that organised in a systematic manner, it can be a force and an instrument for improving social conditions. The changing economic and social conditions have created problems of massive poverty and the corporate sector, with its resources and management talent, can assist the Government to solve many of the problems which exist today.

I believe that a National Board with representatives of Industry and Government should be set up to draft a national plan to identify areas where humanitarian work is likely to produce the best results. I consider this approach could be very effective and would ensure performance where the need is greatest and being a co-operative effort it should lead to the activities of Government organisations and individual corporations being complementary and supplementary rather than competitive.

Sales & Marketing

Our sales turnover has increased in spite of a downward revision in prices after July 1975. Our success is earned by our response to the needs and desires of our customers and consumers.

On the whole, apart from drought conditions in Tamil Nadu in the earlier part of the year, market conditions have been generally favourable. The difficult money situation has affected members of the trade, resulting in lower stockholdings and reduced credit trading. Looking ahead, the market is showing signs of revival and prospects for next year appear to be encouraging.

In marketing, we have to deal with conditions as they are, not as we would like them to be. Complaints on this score gain nothing, and it is our job to deal with the realities of life, the uncertainties and the facts.

This is the first year we have handled our selling operations without the assistance of Selling Agents. Our performance has been successful and I should like to express our appreciation of the effort put in by our young and new selling team. I have no doubt that this team will prove to be a valuable asset in the years that lie ahead. I should also like to express my gratitude to our customers, who so generously co-operated with us in making the total selling operation a success.

The market for consumer goods has seen a number of changes during the year and some of these will have a lasting impact on future operations. The Government initiated several moves designed to protect the consumer, which also benefit the manufacturer. The Packaged Commodities Order prevents the trade from over-charging the consumer and by indicating the age of stocks it enables the consumption of products in fresh condition. Both these results are objectives of any good system of distribution. I believe that all manufacturers should support the Government's efforts to create a spirit of consumerism because, ultimately, stable and healthy market conditions can be created only through consumer confidence.

Our marketing policy is oriented towards selecting and fulfilling consumer needs and responding as accurately as possible to the requirements of all markets. The Company welcomes competition based on sound practices as this makes all of us more efficient. We are opposed, however, to short-time and erratic trading strategies which are against the interests of consumers and detrimental to the industry as a whole.

Finance

In the commercial sector the first requirement for survival is profit and our earning this year reveal the strength of our operations. One of the factors contributing to our increased earnings is the improvement in operating efficiencies and our cost reduction programmes. The better performance of the Seafoods Division during the year under review has also been responsible for our improved earnings and whilst prospects appear good, this business is subject to seasonal variations and fluctuating fortunes.

The issued and subscribed capital of the company increased to Rs 4,51,68,400 in 1976 following the allotment of 18,59,239 fully paid ordinary shares of Rs 10 each as capital bonus in the proportion of seven ordinary shares for every ten shares held.

I am pleased to report that the Directors are recommending the payment of a dividend of Rs 54,18,354 out of the profits. This represents 12 per cent on ordinary shares as increased by the bonus issue. The Directors are also recommending a dividend of Rs 1,607 on preference shares, which represents 10.40 per cent.

Prices of ingredients and materials continued to rise during the first quarter of the year and it was only following the Emergency that prices stabilised at a lower level. On our part, we continue to persevere with our cost reduction programme, though there is obviously a limit to the economies that can be made with affecting quality and services. As in the past, belts will remain tightened and costs held in check to the extent feasible.

Production

In the early part of the year, production activity was under considerable strain on two fronts, namely, shortage and inconsistent quality of raw materials and unstable commodity market conditions.

Power continues to be a constraint in production operations and we have been successful in making adequate and timely arrangements by installing additional power generators at Delhi, Bombay and Calcutta.

Plant modifications initiated last year utilise alternative fuels on baking ovens will be completed by the middle of 1976. Technological improvement and better production methods have enabled us to increase productivity.

Decontrol of vanaspati prices during the year resulting in its increased production was a step in the right direction. However, we are still concerned about the statutory use of 10 per cent soft oils, as this reduces the shelf life of biscuits. Our representation regarding the use of soft oils and the restriction on the utilisation of groundnut oil to a maximum of 25 per cent in bakery fats is under consideration of the Government.

Research and Development

Basic research is the increase in knowledge through the constant study of a particular phenomenon. Applied research is the practical translation of such knowledge into fields such as industry and agriculture. Basic research works towards new insights, applied research towards specific needs economise on or improve the use of resources. Development represents the steps taken to evolve a process or product to finalisation between research and actual commercial production.

In Britannia, we lay considerable stress on the activities of our Research & Development Division being result-oriented, in the shape of better techniques, best utilisation of resources and materials and the creation of improved and superior products. I believe that our increased investment in this activity will enable us to further improve our technological competence and also contribute to national knowledge and aims in meeting the nutrition needs of the country. You will be pleased to learn that our Research and Development Laboratories have been recognised by the Ministry of Science & Technology as Research Units.

Diversification

Active consideration is being given to the direction in which Britannia should proceed and several interesting possibilities are under review. Obviously, we must exercise caution in our planning but it is hoped that during 1976/77, some indication can be given of possible new activities. Notwithstanding these observations, the task of a business is to take risks. Naturally, if we have to take risks to earn rewards, we would like to minimise the risks and we have tried to formulate a strategy that will enable us to expand our operations without leaving ourselves open to dangers that erode our profits and jeopardise our progress.

Exports

Throughout the year we have made a tremendous effort to increase our exports. Our record biscuit exports to foreign exchange markets this year represent one and a half times the value of the exports of the rest of the industry. Our seafoods and frozen foods exports have also shown significant improvement and with the acquisition of three fibreglass trawlers during the year and five large trawlers on order, we intend to sustain this programme of expansion.

In the area of general exports, our Export Division has intensified its activities. We have offered our assistance to small and medium scale units for the purpose of developing their exports. This is in addition to the direct exports, which we are developing ourselves, and progress in this area is satisfactory. We will need to summon great energy and new resources to develop our programmes and sustain them at a level of real distinction.

Employees

Although profit is essential for our progress, I am constantly mindful of importance of people. Shareholders, customers, staff and associates are all very important to us, and it is vital that good relations are maintained with all of them.

A great deal of time and money is devoted to ensuring the best possible training for our staff and employees. We have training courses within the Company and we participate in outside courses. It is our endeavour to see that not only are our employees equitably compensated with the best service conditions, but that they derive satisfaction from their jobs and look to the Company for a rewarding career.

In order to further secure the interest of the employees, the Company has voluntarily funded the total liability up to 31st March 1976 in respect of gratuity actuarially calculated at over Rs 73 lakhs. This Trust Fund will operate in accordance with the Government guidelines and Trust rules have been approved by the Income Tax Authorities.

The very good results for the year under review could not have been achieved without the skill and dedication of our management and the hard work and co-operation of our employees. Today there is a growing awareness that the fortunes of employers and employees are intimately linked. I would like to take this opportunity of thanking the 5000 and more men and women who work in the Company for the indispensable contribution they have made to the record results.

Shareholding

A realistic way to assess a Company is by its actual worth and its earning capacity, in as much as the intrinsic value of shares sometimes fails to emerge in share prices. Yours is the only Company in the Biscuit Industry in which members of the public and financial institutions have an extensive interest and with the issue of new shares to increase the Indian shareholding to 60 per cent, the public participation will become even wider.

Outlook

The challenge to Industry is to take advantage of the opportunities which exist and search out others to exploit in the years ahead.

My colleagues and I are concerned with the opportunities that are in front of us, with the tremendous amount of work which is being done by the Company to take advantage of these opportunities and with equipping ourselves to move forward strongly just as soon as conditions permit. A sound base for growth has been established and we continue to look forward with optimism and eagerness to the coming years.

Note: This does not purport to be a record of the proceedings of the Annual General Meeting.

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Constitution Amendment Bill, 1976

The Constitution (44th Amendment) Bill was introduced in the Lok Sabha by the minister of Law and Company Affairs, Mr H.R. Gokhale, on September 1, 1976. The bill proposes comprehensive changes in the constitution and provides, among other things, that the President is expressly bound to act on the advice of the Union Cabinet, the normal term of the Lok Sabha and state assemblies will be six years and that high courts cannot probe into the constitutionality of any central law.

According to the proposed amendment the Supreme Court will hear cases which require determination of the constitutionality of any central or state law but no central or state law can hereafter be declared unconstitutional except by a two-thirds majority of a Constitution bench composed of a minimum of seven judges. The amendment also prescribes ten fundamental duties of an Indian citizen.

The following is the text of of the Bill.

1. Short title and commencement: (a) This Act may be called the Constitution (Forty-fourth Amendment) Act, 1976.

(b) It shall come into force on such date as the Central Government may, by notification in the official gazette, appoint and different dates may be appointed for different provisions of this Act.

Preamble

2. Amendment of the Preamble: In the Preamble to the Constitution:—

(a) for the words "Sovereign Democratic Republic", the words "Sovereign Socialist Secular Democratic Republic" shall be substituted and

(b) for the words "unity of the nation", the words "unity and integrity of the nation" shall be substituted.

3. Insertion of new sub-heading after article 31: After article 31 of the Constitution, the following sub-heading shall be inserted, namely:—"Saving of Certain Laws".

4. Amendment of article 31C; In Article 31C of the Constitution, for the words, brackets, letters and figures "the principles specified in clause (b) or clause (c) of Article 39", the words and figures "all or any of the principles laid down in Part IV" shall be substituted.

Constitutional Remedies

5. Insertion of new Article 31D: After article 31C of the Constitution and before the subheading "Right to Constitutional Remedies" the following Article shall be inserted, namely: -

'31D (1) Notwithstanding anything contained in Article 13, no law providing for:—

(a) the prevention or prohibition of anti-national activities; or

(b) the prevention of formation of, or the prohibition of, anti-national associations, shall be deemed to be void on the ground that it is inconsistent with, or takes away or abridges any of the rights conferred by, Article 14, Article 19 or Article 31.

(2) Notwithstanding anything in this Constitution, parliament shall have, and the legislature of a state shall not have, power to make laws with respect of any of the matters referred to in sub-clause (a) or sub-clause (b) of clause (1).

(3) Any law with respect to any matter referred to in sub-clause (a) or sub-clause (b) of clause (1) which is in force immediately before the commencement of Section 5 of the Constitution (Forty-fourth Amendment) Act, 1976, shall continue in force until altered or repealed or amended by Parliament.

Anti-National

(4) In this article,—

(a) "association" means an association of persons;

(b) "anti-national activity", in relation to an individual or association means any action taken by such individual or association—

(i) which is intended, or which supports any claim, to bring about, on any ground whatsover, the cession of a part of the territory of India or the secession of a part of the territory of India or which incites any individual or association to bring about such cession or secession;

(ii) which disclaims, questions, threatens, disrupts or is intended to threaten or disrupt the sovereignty and integrity of India or the security of the state or the unity of the nation;

(iii) which is intended, or which is part of a scheme which is intended, to overthrow by force the government as by law established:

(iv) which is intended, or which is part of a scheme which is intended, to create internal disturbance or the disruption of public services;

Preserving Harmony

(v) which is intended, or which is part of a scheme which is intended, to threaten or disrupt harmony between different religious, racial, language or regional groups of castes or communities:

(c) "anti-national association" means an association—

(i) which has for its object any anti-national activity:

(ii) which encourages or aids persons to undertake or engage in any anti-national activity;

(iii) the members where of undertake or engage in any anti-national activity.

6. Insertion of new Article 32A: After Article 32 of the Constitution, the following article shall be inserted, namely:-

"32A. Notwithstanding anything in Article 32, the Supreme Court shall not consider the constitutional validity of any state law in any proceedings under that Article unless the constitutional validity of any Central law is also in issue in such proceedings."

7. Amendment of Article 39: In Article 39 of the Constitution, for clause (f) the following clause shall be substituted, namely:—

"(f) that children are given opportunities and facilities to develop in a healthy manner and in conditions of freedom and dignity and that childhood and youth are protected against exploitation and against moral and material abandonment."

8. Insertion of new Article 39A: After article 39 of the Constitution, the following article shall be inserted, namely:—

"39A. The state shall secure that the operation of the legal system promotes justice, on a basis of equal opportunity, and shall, in particular, provide free legal aid, by suitable legislation or schemes or in any other way, to ensure that opportunities for securing justice are not denied to any citizen by reason of economic or other disabilities."

9. Insertion of new Article 43A: After Article 43 of the Constitution, the following article shall be inserted, namely:—

43A: The state shall take steps, by suitable legislation or in any other way, to secure the participation of workers in the management of undertakings, establishments or other organisations engaged in any industry."

10. **Insertion of new Article 48A:** After Article 48 of the Constitution, the following article shall be inserted, namely:—

"48A: The state shall endeavour to protect and improve the environment and to safeguard the forests and wild life of the country."

Fundamental Duties

11. **Insertion of new Part IVA**: After Part IV of the Constitution, the following part shall be inserted namely:-

51A. **Fundamental duties**: It shall be the duty of every citizen of India:—

(a) to abide by the Constitution and respect its ideals and institutions, the National Flag and the National Anthem;

(b) to cherish and follow the noble ideals which inspired our national struggle for freedom;

(c) to uphold and protect the sovereignty, unity and integrity of India.

(d) to defend the country and render national service when called upon to do so;

(e) to promote harmony and the spirit of common brotherhood amongst all the people of India transcending religious, linguistic and regional of sectional diversities; to renounce practices derogatory to the dignity of women;

(f) to value and preserve the rich heritage of our composite culture;

(g) to protect and improve the natural environment including forests, lakes, rivers and wild life, and to have compassion for living creatures;

(h) to develop the scientific temper, humanism and the spirit of inquiry and reform;

(i) to safeguard public property and to abjure violence;

(j) to strive towards excellence in all spheres of individual and collective activity, so that the nation constantly rises to higher level of endeavour and achievement."

Population

12. **Amendment of Article 55**: In Article 55 of the Constitution, for the Explanation, the following Explanation shall be substituted, namely:—

"Explanation. — In this article, the expression "population" means the population as ascertained at the last preceding census of which the relevant figures have been published:

Provided that the reference in this **Explanation** to the last preceding census of which the relevant figures have been published shall, until the relevant figures for the first census taken after the year 2000 have been published, be construed as a reference to the 1971 census.'

13. **Amendment of Article 74:** In Article 74 of the Constitution, for clause (1), the following clause shall he substituted, namely :—

"(1) There shall be a council of ministers with the Prime Minister at the head to aid and advise the President who shall, in the exercise of his functions, act in accordance with such advice."

14. **Amendment of Article 77:** In Article 77 of the Constitution, after clause (3), the following clause shall be inserted, namely:—

"(4) No court or other authority shall be entitled to require the production of any rules made under clause (3) for the more convenient transaction of the business of the Government of India."

Census Reference

15. **Amendment of Article 81**: In Article 81 of the Constitution, to clause (3), the following proviso shall be added, namely:—

"Provided that the reference in this clause to the last preceding census of which the relevant figures have been published shall, until the relevant figures for the first census taken after the year 2000 have been published, be construed as a reference to the 1971 census."

16. **Amendment of Article 82**: In Article 82 of the Constitution, after the proviso, the following provisos shall be inserted, namely:—

"Provided further that such readjustment shall take effect from such date as the President may by order specify and until such readjustment takes effect any election to the House may be held on the basis of the territorial constituencies existing before such readjustment:

Provided also that until the relevant figures for the first census taken after the year 2000 have been published, it shall not be necessary to readjust the allocation of seats in the House of the People to the states and the division of each state into territorial constituencies under this article.".

17. **Amendment of Article 83**: (1) In Article 83 of the Constitution in clause (2) for the words "five years" in the two places where they occur, the words "six years" shall be substituted.

(2) The amendments made by sub-section (1) shall apply to the House of the People in existence on the date coming into force of this section.

18. **Amendment to Article 100**: In Article 100 of the Constitution, clauses (3) and (4) shall be omitted.

19. **Amendment of Article 102**: In Article 102 of the Constitution, for sub-clause (a) of clause (1), the following sub-clause shall be substituted, namely:—

"(a) if he holds any such office of profit under the Government of India or the Government of any state as is declared by Parliament by law to disqualify its holder;"

20. **Substitution of New Article 103**: For Article 103 of the Constitution, the following Article shall be substituted, namely:—

Disqualifications

"103. (1) If any question arises:—

(a) as to whether a member of either House of Parliament has become subject to any of the disqualifications mentioned in clause (1) of article 102, or

(b) as to whether a person found guilty of a corrupt practice at an election to a House of Parliament under any law made by Parliament, shall be disqualified for being chosen as, and for being, a member of either House of Parliament or of a House of the legislature of a state, or as to the period for which he shall be so disqualified, or as to the removal of, or the reduction of the period of, such disqualification,

the question shall be referred for the decision of the President and his decision shall be final.

(2) Before giving any decision on any such question, the President shall consult the Election Commission and the Election Commission may

for this purpose, make such inquiry as it thinks fit."

21 Amendment of Article 105: In Article 105 of the Constitution, for clause (3), the following clause shall be substituted, namely:—

"(3) In other respects, the powers, privileges and immunities of each House of Parliament and of the members and the committees of each House shall be such as may, from time to time be evolved by such House of Parliament."

22 Amendment of Article 118: In Article 118 of the Constitution, in clause (1), after the words "its procedure" the brackets and words "including the quorum to constitute a meeting of the House" shall be inserted.

Supreme Court

23 Insertion of New Article 131A: After Article 131 of the Constitution, the following Article shall be inserted, namely:—

"131A. (1) Notwithstanding anything contained in any other provision of this Constitution, the Supreme Court shall, to the exclusion of any other court, have jurisdiction to determine all questions relating to the constitutional validity of any Central law.

(2) Where a High Court is satisfied—

(a) that a case pending before it or before a court subordinate to it involves question as to the constitutional validity of or any Central law or, as the case may be, of both Central and state laws; and

(b) that the determination of such questions is necessary for the disposal of the case, the High Court shall refer the questions for the decision of the Supreme Court.

(3) Without prejudice to the provisions of clause (2), where, on an application made by the Attorney-General of India, the Supreme Court is satisfied,—

(a) that a case pending before a High Court or before a court subordinate to a High Court involves questions as to the constitutional validity of any Central law or, as the case may be, of both Central and state laws; and

(b) that the determination of such question is necessary for the disposal of the case,

the Supreme Court may require the High Court to refer the question to it for its decision.

(4) When a reference is made under clause (2), or clause (3), the High Court shall stay all proceedings in respect of the case until the Supreme Court decides the questions so referred.

(5) The Supreme Court shall, after giving the parties an opportunity of being heard, decide the questions so referred, and may—

(a) either dispose of the case itself, or

(b) return the case to the High Court together with a copy of its judgement on such questions for disposal of the case in conformity with such judgement by the High Court or, as the case may be, the court subordinate to it."

Transfer of Cases

24. Insertion of new article 139A: After Article 139 of the Constitution, the following Article shall be inserted, namely:—

139A: (1)If on an application made by the Attorney-General of India, the Supreme Court is satisfied that cases involving the same or substantially the same questions of law are pending before it and one or more High Courts or before two or more High Courts and that such questions are substantial questions of general importance, the Supreme Court may withdraw the case or cases pending before the High Court or the High Courts and dispose of all the cases itself.

(2) The Supreme Court may, if it deems it expedient so to do for the ends of justice, transfer any case, appeal or other proceedings pending before any High Court to any other High Court.

25. Insertion of new Article 144A: After Article 144 of the Constitution, the following Article shall be inserted, namely:—

Constitution Bench

"144A: (1) The minimum number of judges of the Supreme Court who shall sit for the purpose of determining any question as to the constitutional validity of any Central law or state law shall be seven.

(2) A Central law or a state law shall not be declared to be constitutionally invalid by the Supreme Court unless a majority of not less than two-thirds of the judges sitting for the purpose of determining the question as to the constitutional validity of such law hold it to be constitutionally invalid."

26. Amendment of article 145: In Article 145 of the Constitution,—

(a) in clause (1), after sub-clause (c), the following sub-clause shall be inserted, namely:—

(cc) rules as to the proceedings in the court under articles 131A and 139A:".

(b) in clause (2), for the words, brackets and figure "provisions of clause (3)", the words, figures, letter and brackets "provisions of Article 144A and of clause (3)" shall be substituted.

(c) in clause (3), for the words "The minimum number", the words, figures and letter "Subject to the provisions of Article 144A, the minimum number" shall be substituted.

27. Substitution of new article for article 150: For Article 150 of the Constitution, the following article shall be substituted, namely:—

"150: The accounts of the Union and of the states shall be kept in such form as the President may, after consultation with the Comptroller and Auditor-General of India, prescribe."

28. Amendment of Article 166: In Article 166 of the Constitution, after clause (3), the following clause shall be inserted, namely:—

(4) No court or other authority shall be entitled to require the production of any rules made under clause (3) for the more convenient transaction of the business of the government of the state."

29. Amendment of article 170: In Article 170 of the Constitution,—

(a) for the Explanation, the following Explanation shall be substituted, namely:—

'Explanation—In this clause, the expression "population" means the population as ascertained at the last preceding census of which the relevant figures have been published:

Provided that the reference in this Explanation to the last preceding census of which the relevant figures have been published shall, until the relevant figures for the first census taken after the year 2000 have been published, be construed as a reference to the 1971 census.';

(b) in clause (3), after proviso, the following provisos shall be inserted, namely:—

Constituencies

"Provided further that such readjustment shall take effect from such date as the President may, by order, specify and until such readjustment takes effect, any election to the legislative assembly may be held on the basis of the territorial constituencies existing before such readjustment:

Provided also that until the relevant figures for the first census taken after the year 2000 have been published, it shall not be necessary to readjust the total number of seats in the legislative assembly of each state and the division of such state into territorial constituencies under this clause."

30. Amendment of Article

172: (1) In Article 172 of the Constitution, in clause (1), for the words "five years" in the two places where they occur, the words "six years" shall be substituted.

(2) The amendments made by sub-section (1) shall apply to every legislative assembly in existence on the date of coming into force of this section.

31. Amendment of Article 189: In Article 189 of the Constitution, clauses (3) and (4) shall be omitted.

Office of Profit

32. Amendment of Article 191: In Article 191 of the Constitution, for sub-clause (a) of clause (1), the following sub-clause shall be substituted, namely:—

"(a) if he holds any such office of profit under the government of any state specified in the First Schedule as is declared by Parliament by law to disqualify its holder."

33. Substitution of new Article for Article 192: For Article 192 of the Constitution, the following Article shall be substituted, namely:—

"**192:** (1) If any question arises:—

(a) as to whether a member of a House of the legislature of a state has become subject to any of the disqualifications mentioned in clause (1) of article 191, or

(b) as to whether a person found guilty of a corrupt practice at an election to a House of the legislature of a state under any law made by Parliament shall be disqualified for being chosen as, and for being, a member of either House of Parliament or of a House of the legislature of a state, or as to the period for which he shall be so disqualified, or as to the removal of, or the reduction of the period of, such disqualification.

The question shall be referred for the decision of the President and his decision shall be final.

(2) Before giving any decision on any such question, the President shall consult the Election Commission and the Election Commission may, for this purpose, make such inquiry as it thinks fit."

34. Amendment of Article 194: In Article 194 of the Constitution, for clause (3), the following clause shall be substituted, namely:—

"(3) In other respects, the powers, privileges and immunities of a House of the legislature of a state, and of the members and the committees of a House of such legislature shall be such as may from time to time be evolved by such House."

35. Amendment of Article 208: In Article 208 of the Constitution, in clause (1), after the words "its procedure" the brackets and words "(including the quorum to constitute a meeting of the House)" shall be inserted.

New Definitions

36 .Amendment of Article 217: In Article 217 of the Constitution, in clause (2),—

(a) in sub-clause (b), the word "or" shall be inserted at the end;

(b) after sub-clause (b), the following sub-clause shall be inserted, namely:—

"(c) Is in the opinion of the President, a distinguished jurist."

(c) In the 'Explanation,' in clause (a) for the words "has held judicial office," the words "has held judicial office or the office of a member of a tribunal or any post, under the Union or a state requiring special knowledge of law" shall be substituted.

37. Amendment of Article 225: In Article 225 of the Constitution, the proviso shall be omitted.

38. Substitution of new Article for Article 226: For Article 226 of the Constitution, the following Article shall be substituted, namely:—

"226 (1) Notwithstanding anything in Article 32 but subject to provisions of Article 131A and Article 226A, every High Court shall have power throughout the territories in relation to which it exercises jurisdiction to issue to any person or authority, including in appropriate cases, any government, within those territories directions, order or writs, including writs in the nature of 'habeas corpus,' 'mandamus,' 'prohibition,' 'quo warranto' and 'certiorari,' or any of them.—

(a) for the enforcement of any of the rights conferred by the provisions of Part III; or

(b) for the redress of any injury of a substantial nature by reason of the contravention of any other provision of this Constitution or any provision of any enactment or Ordinance or any order, rule, regulation, bye-law or other instrument made thereunder; or

(c) for the redress of any injury by reason of any illegality in any proceedings by or before any authority under any provision referred to in sub-clause (b) where such illegality has resulted in substantial failure of justice.

Writ Issue Powers

(2) The power conferred by clause (1) to issue directions, orders or writs to any government, authority or person may also be exercised by any High Court exercising jurisdiction in relation to the territories within which the cause of action, wholly or in part, arises for the exercise of such power, notwithstanding that the seat of such government or authority or the residence of such person is not within those territories.

(3) No petition for the redress of any injury referred to in sub-clause (b) or sub-clause (c) of clause (1) shall be entertained if any other remedy for such redress is provided for by or under any other law for the time being in force.

(4) No interim order (whether by way of injunction or stay or in any other manner) shall be made on, or in any proceedings relating to a petition under clause (1) unless—

(a) copies of such petition and of all documents in support of the plea for such interim order are furnished to the party, against whom such petition is filed or proposed to be filed; and

(b) opportunity is given to such party to be heard in the matter.

Interim Order

(5) The High Court may dispense with the requirements of sub-clauses (a) and (b) of clause (4) and make an interim order as an exceptional measure if it is satisfied for reasons to be recorded in writing that it is necessary so to do for preventing any loss being caused to the petitioner which cannot be adequately compensated in money but any such interim order shall, if it is not vacated earlier, cease to have effect on the expiry of a period of fourteen days from the date on which it is made unless the said requirements have been complied with before the expiry of that period and the High Court has continued the operation of the interim order.

(6) Notwithstanding anything in clause (4) or clause (5), no interim order (whether by way of injunction or stay or in any other manner) shall be made on, or in any proceedings relating to, a petition under clause (1) where such order will have the effect of delaying any inquiry into a matter of public importance or any investigation or inquiry into an offence punishable with imprisonment or any action for the execution of any work or project of public utility, or the acquisition of any property for such execution, by the government or any corporation owned or controlled by the government.

(7) The power conferred on a High Court by this Article shall not be in derogation of the power conferred on the Supreme Court by clause (2) of Article 32."

39. Insertion of new Article 226A.: After article 226 of the

Constitution, the following Article shall be inserted, namely:—

"226A. Notwithstanding anything in Article 226, the High Court shall not consider the constitutional validity of any Central law in any proceedings under that article."

40. Amendment of Article 227.: In Article 227 of the Constitution:—

(a) for clause (1), the following clause shall be substituted, namely:—

"(1) Every High Court shall have superintendence over all courts subject to its appellate jurisdiction.";

(b) after Clause (4), the following clause shall be inserted, namely:—

"(5) Nothing in this Article shall be construed as giving to a High Court any jurisdiction to question any judgment of any inferior court which is not otherwise subject to appeal or revision."

41. Amendment of Article 228.: In Article 228 of the Constitution, for the words "It shall withdraw the case and may—", the words, figures and letter "it shall withdraw the case and, subject to the provision of Article 131A, may—" shall be substituted.

State Laws

42. Insertion of new Article 228A: After Article 228 of the Constitution, the following Article shall be inserted namely:—

"**228A**: (1) No High Court shall have jurisdiction to declare any Central law to be constitutionally invalid.

(2) Subject to the provisions of Article 131A, the High Court may determine questions as to the constitutional validity of state laws.

(3) The minimum number of judges who shall sit for the purpose of determining any question as to the constitutional validity of any state law shall be five:

Provided that where the High Court consists of less than five judges, all the judges of the High Court may sit and determine such question.

(4) A state law shall not be declared to be constitutionally invalid by the High Court unless—

(a) where the High Court consists of five judges or more, not less than two-thirds of the judges sitting for the purpose of determining the validity of such law, hold it to be constitutionally invalid; and

(b) where the High Court consists of less than five judges, all the judges of the High Court hold it to be constitutionally invalid.

(5) The provisions of this Article shall have effect notwithstanding anything contained in this Part

Explanation: In computing the number of judges of a High Court for the purposes of this Article, a judge who is disqualified by reason of personal or pecuniary bias shall be excluded."

Deployment of Army

43. Insertion of new Article 257A: After Article 257 of the Constitution, the following Article shall be inserted, namely.—

257A: (1) The Government of India may deploy any armed force of the Union or any other force subject to the control of the Union for dealing with any grave situation of law and order in any state.

(2) Any armed force or other force or any contingent or unit thereof deployed under clause (1) in any state shall act in accordance with such direction as the government of India may issue and shall not, save as otherwise provided in such directions, be subject to the superintendence or control of the state Government or any officer or authority subordinate to the state government.

(3) Parliament may, by law, specify the powers, functions, privileges and liabilities of the members of any force or any contingent or unit thereof deployed under clause (1) during the period of such deployment."

44. Amendment of Article 311: In Article 311 of the Constitution, in clause (2),—

(a) the words "and where it is proposed, after such inquiry, to impose on him any such penalty, until he has been given a reasonable opportunity of making representation on the penalty proposed, but only on the basis of the evidence adduced during such inquiry" shall be omitted:

(b) for the words "provided that this clause shall not apply—," the following shall be substituted, namely:—

Penalties

"Provided that where it is proposed after such inquiry, to impose upon him any such penalty, such penalty may be imposed on the basis of the evidence adduced during such inquiry and it shall not be necessary to give such person any opportunity of making representation on the penalty proposed:

Provided further that this clause shall not apply—."

45. Amendment of Article 312: In Article 312 of the Constitution:—

(a) in clause (1),—

(i) for the word and figures "Part XI," the words and figures "Chapter VI of Part VI or Part XI" shall be substituted;

(ii) after the words "all-India services," the brackets and words "(including an all-India judicial service)" shall be inserted;

(b) after clause (2), the following clauses shall be inserted, namely:—

"(3) The all-India judicail service referred to in clause (1) shall not include any post inferior to that of a district judge as defined in Article 236.

(4) The law providing for the creation of the all-India judicial service aforesaid may contain such provisions for the amendment of Chapter VI of Part VI as may be necessary for giving effect to the provisions of that law and no such law shall be deemed to be an amendment of this Constitution for the purposes of article 368."

46. Insertion of new Part XIVA: After Part XIV of the Constitution, the following part shall be inserted, namely: Part XIVA

Special Tribunals

323A: (1) Parliament may, by law, provide for the adjudication of trial by administrative tribunals of disputes and complaints with respect to recruitment and conditions of service of persons appointed to public services and posts in connection with the affairs of the Union or of any state or of any local or other authority within the territory of India or under the control of the Government of India or of any corporation owned or controlled by the government. (2) A law made under cluse (1) may—

(a) provide for the establishment of an administrative tribunal for the Union and a separate administrative tribunal for each state or for two or more States;

(b) specify the jurisdiction, powers (including the power to punish for contempt) and authority, which may be exercised by each of the said tribunals;

(c) provide for the procedure (including provisons as to limitation and rules of evidence) to be followed by the said tribunals;

(d) exclude the jurisdiction of all courts, except the jurisdiction of the Supreme Court under Article 136, with respect to the disputes or complaints referred to in clause (1);

(e) provide for the transfer to each such administrative tribunal of any cases pending before any court or other authority immediately before the establishment of such tribunal as would have been within the jurisdiction of such tribunal if the causes of action on which such suits or proceedings are based had arisen after such establishment;

(f) repeal or amend any order made by the President under clause (3) of Article 371D;

(g) contain such supplemental, incidental and consequential provisions (including provisions as to fees) as Parliament may deem necessary for the effective functioning of, and for the speedy disposal of cases by, and the enforcement of the orders of such tribunals.

(3) The provisions of this Article shall have effect notwithstanding anything in any other provision of this Constitution or in any other law for the time being in force.

Other Tribunals

323B: (1) The appropriat legislature may, by law, proe vide for the adjudication or- trial by tribunals of any disputes, complaints, or effences with respect to all or any of the matters specified in clause (2) with respect to which such legislature has power to make laws.

(2) The matters referred to in clause (1) are the following, namely:—

(a) levy, assessment, collection and enforcement of any tax;

(b) foreign exchange, import and export across customs frontiers;

(c) industrial and labour disputes;

(d) land reforms by way of acquisition by the state of any estate as defined in Article 31A or of any rights therein or the extinguishment or modification of any such rights or by way of ceiling on agricultural land or in any other way;

(e) ceiling on urban property;

(f) elections to either House of Parliament or the House or either House of the legislature of a state, but excluding the matters referred to in Article 329 and Article 329A;

(g) production, procurement, supply and distribution of food-stuffs (including edible oilseeds and oils and such other goods as the President may, by public notification, declare to be essential goods for the purpose of this Article and control of prices of such goods;

(h) offences against laws with respect to any of the matters specified in sub-clauses (a) to (g) and fees in respect of any of those matters;

(i) any matter incidental to any of the matters specified in sub-clauses (a) to (h)

(3) A law made under clause (1) may—

(a) provide for the establishment of a hierarchy of tribunals;

(b) specify the jurisdiction powers (including the power to punish for contempt) and authority which may be exercised by each of the said tribunals;

(c) provide for the procedure including provisions as to limitation and rules of evidence) to be followed by the said tribunals;

Excluded Jurisdiction

(d) exclude the jurisdiction of all courts except the jurisdiction of the Supreme Court under Article 136 with respect to all or any of the matters falling within the jurisduction of the said tribunals;

(e) provide for the transfer to each such tribunal of any cases pending before any court or any other authority immediately before the establishment of such tribunal as would have been within the jurisdiction of such tribunal, if the causes of action on which such suits or proceedings are based had arisen after such establishment;

(f) contain such supplemental incidental and consequential provisions (including provisions as to the fees) as the appropriate legislature may deem necessary for the effective functioning of, and for the speedy disposal of cases by, and the enforcement of the orders of, such tribunals.

(4) The provisions of this Article shall have effect notwithstanding anything in any other provision of this Constitution or in any other law for the time being in force.

Explanation—In this Article 'appropriate legislature" in relation to any matter means Parliament or, as the case may be a state legislature competent to make laws with respect to such matter in accordance with the provisions of Part XI.

47. Amendment of Article 330: In Article 330 of the Constitution, the following **Explanation** shall be inserted at the end, namely:—

Population Redefined

Explanation:—In this Article and in this Article 332, the expression "population", means the population as ascertained at the last preceding census, of which the relevant figures have been published.

Provided that the reference in this **Explanation** to the last preceding census of which the relevant figures have been published shall, until the relevant figures for the first census taken after the year 2000 have been published, be construed as a reference to the 1971 census".

48. Amendment of Article 352: In Article 352 of the Constitution:—

(a) In clause (1), after the words "make a declaration to that effect", the following shall be inserted, namely:—

"in respect of the whole of India or of such part of the territory thereof as may be specified in the Proclamation";

(b) in clause (2), in sub-clause (a), after the word "revoked", the words "or varied" shall be inserted;

(c) after clause (2), the following clause shall be inserted, namely:—

"(2A) Where a Proclamation issued under clause (1) is varied by a subsequent Proclamation, the Provisions of clause (2) shall, so far as may be, apply in relation to such subsequen Proclamation as they apply in relation to a Proclamation issued under claus (1)".

49. Amendment of Article 353: To Article 353 of the Constitution, the following proviso shall be added, namely:—

"provided that where a Proclamation of Emergency is in operation only in any part of the territory of India,—

(i) the executive power of the Union to give directions under clause (a), and

(ii) the power of Parliament to make laws under clause (b), shall also extend to any state, other than a state in which or in any part of which the Proclamation of Emergency is in operation if and in so far as the security of India of any part of the territory thereof is threatened by activities in relation to the part of, the territory of India in which the Proclamation of Emergency is in operation."

Duration of Emergency

50. Amendment of Article 365. In Article 356 of the Constitution, in clause (4), for the words "six months" wherever shall be substituted.

51. Amendment of Article 357 (1) In article 357 of the Constitution for clause (2) the following clause shall be substituted, namely:—

"(2) Any law made in exercise of the power of the legislature of the state by Parliament or the President or other authority referred to in sub-clause (a) of clause (1) which Parliament or the President or such other authority would not, but for the issue of Proclamation under Article 356, have been competent to make shall, after the Proclamation has ceased to operate, continue in force until altered or repealed or amended by a competent legislature or other authority."

(2) The amendment made by sub-section (1) shall apply to any law referred to in

clause (2) of Article 357 of the Constitution which is in force immediately before the coming into force of this section.

52. Amendment of Article 358: To Article 358 of the Constitution, the following proviso shall be added, namely:—

Territorial Security

"Provided that where a Proclamation of Emergency is in operation only in any part of the territory of India, any such law may be made, or any such executive action may be taken, under this Article in relation to or in any state or Union Territory specified in the First Schedule in which or in any part of which the Proclamation of Emergency is not in operation, if and in so far as the security of India or any part of the territory thereof is threatened by activities in or in relation to the part of the territory of India in which the Proclamation of Emergency is in operation."

53. Amendment of Article 359: In Article 359 of the Constitution:—

(a) to clause (IA), the following proviso shall be added, namely:—

"Provided that where a Proclamation of Emergency is in operation only in any part of the territory of India, any such law may be made or any such executive action may be taken, under this Article in relation to or in any state or Union Territory specified in the First Schedule in which or in any part of which the Proclamation of Emergency is not in operation, if and in so far as the security of India or any part of the territory thereof is threatened by activities in or in relation to the part of the territory of India in which the Proclamation of Emergency is in operation";

(b) to clause (2), the following proviso shall be added, namely:—

"Provided that where a Proclamation of Emergency is in operation only in a part of the territory of India, any such order shall not extend to any other part of the territory of India unless the President being satisfied that the security of India or any part of the territory thereof is threatened by activities in or in relation to the part of the territory of India in which the Proclamation of Emergency is in operation considers such extension to be necessary."

54. Amendment of Article 366: In article 366 of the Constitution:—

(a) after caluse (4), the following clause shall be inserted namely:—

(4A) "Central law" means any law other than a state law,

(b) after clause (26), the following clause shall be inserted, namely:—

'(26A) "state law" means—

(a) a state Act or an Act of the legislature of a Union Territory;

Governor's Powers

(b) an Ordinance promulgated by the Governor of a state under Article 213 or by the Administrator of a Union Territory under article 239B;

(c) any provision with respect to a matter in the State List in a Central Act made before the commencement of this Constitution;

(d) any provision with respect to a matter a matter in the state List or the Concurrent List in a provincial Act;

(e) any notification, order scheme, rule, regulation or byelaw or any other instrument having the force of law made under any Act, Ordinance or provisions referred to in sub-clause (c) or sub-clause (d); and

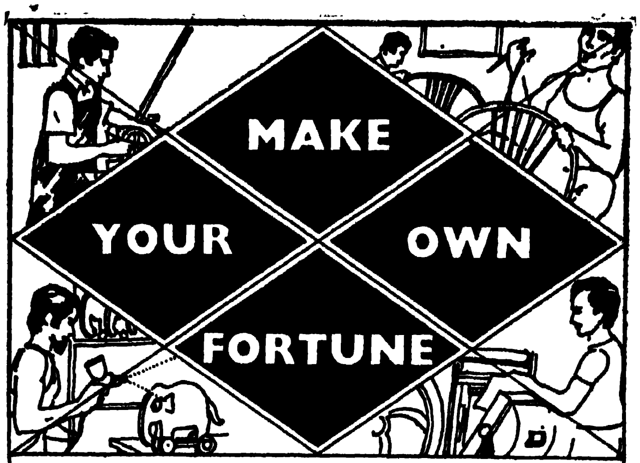
(1) any other law (including any usage or custom having the force of law) with respect to a matter in the State List.'

55. Amendment of Article 368: In Article 368 of the Constitution, after clause (3), the following clause shall be inserted namely:—

"(4) No amendment of this Constitution (including the provisions of Part III) made or purporting to have been made under this Article whether before or after the commencement of Section 55 of the Constitution (Forty-fourth Amendment) Act, 1976 shall be called in question in any court except upon the ground that it has not been made in accordance with the procedure laid down by this Article.".

Seventh Schedule

56. Amendment of Article 371F: In Article 371F of the Constitution, in clause (c), for the words "five years", the



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words "six years" shall be substituted and for the words "four years" in the to places where they occur, the words "five years" shall be substituted.

57. Amendment of the Seventh Schedule: In the Seventh Schedule to the Constitution,—

(a) in List I—Union List, after entry 2, the following entry shall be inserted, namely:—

New Additions

"2A Deployment of any armed force of the Union or any other force subject to the control of the Union or any contingent or unit thereof in any state in aid of the civil power; powers, jurisdiction, privileges and liabilities of the members of such forces while on such deployment";

(b) in List II - State List,—

(i) in entry 1, for the words "the use of naval, military or air forces or any other armed forces of the Union" the words "the use of any naval, military or air force or any other armed force of the Union or of any other force subject to the control of the Union or of any contingent or unit thereof" shall be substituted;

(ii) for entry 2, the following entry shall be substituted namely:-

"2. Police (including railway and village police) subject to the provisions of entry 2A of List I";

(iii) in entry 3, the words "Administration of justice; constitution and organisation of all courts, except the Supreme Court and the High Court;" shall be omitted;

(iv) entries 11, 19, 20 and 29 shall be omitted;

(v) in entry 55, the words "and advertisements, broadcast by radio or television" shall be inserted at the end;

(c) in List III—Concurrent List,—

(i) after entry 11, the following entry shall be inserted, namely:—

"11A. Administration of justice; constitution and organisation of all courts, except the Supreme Court and the High Courts.";

(ii) after entry 17, the following entries shall be inserted, namely:—

"17A. Forests.

17B Protection of wild animals and birds";

(iii) after entry 20, the following entry shall be inserted, namely:—

"20A. Population control and family planning".

(iv) for entry 25, the following entry shall be substituted, namly:—

"25. Education, including technical education, medical education and universities, subject to the provisions of entries 63, 64, 65 and 66 of List I; vocational and technical training of labour";.

(v) after entry 33, the following entry shall be inserted, namely:—

"33A. Weights and measures except establishment of standards";

Special Provisions

58. Special provisions as to pending petitions under Article 226: (1) Notwithstanding anything contained in the Constitution, every petition made under Article 226 of the Constitution before the appointed day and pending before any High Court immediately before that day (such petition being referred to in this section as a pending petition) and any interim order whether by way of injunction or stay or in any other manner, made on or in any proceedings relating to, such petition before that day shall be dealt with in accordance with the provisions of Article 226 as substituted by section 38.

(2) In particular, and without prejudice to the generality of the provisions of sub-section (1), every pending petition before a High Court which would not have been admitted by the High Court under the provisions of Article 226 as substituted by section 38 if such petition had been made after the appointed day, shall abate and any interim order (whether by way of injunction or stay or in any other manner) made on or in any proceedings relating to, such petition shall stand vacated:

Petitioners Right

Provided that nothing contained in this sub-section shall affect the right of the petitioner to seek relief under any other law for the time being in force in respect of the matters to which such petition relates and in computing the period of limitation, if any, for seekings such relief, the period during which the proceedings relating to such petition were pending in the High Court shall be excluded.

(3) Every interim order (whether by way of injunction or stay or in any other manner) which was made before the appointed day, on or in any proceedings relating to, a pending petition [not being a pending petition which has abated under sub-section (2)], and which is in force on that day, shall, unless before the appointed day copies of such pending petition and of documents in support of the plea for such interim order had been furnished to the party against whom such interim order was made and an opportunity had been given to such party to be heard in the matter, cease to have effect (if not vacated earlier).—

(a) on the expiry of a period of one month from the appointed day, if the copies of such pending petition and the documents in support of the plea for the interim order are not furnished to such party before the expiry of the said period of one month; or

(b) on the expiry of a period of four months from the appointed day, if the copies referred to in cause (a) have been furnished to such party within the period of one month referred to in that clause but such party has not been given an opportunity to be heard in the matter before the expiry of the said period of four months.

(4) Notwithstanding anything contained in sub-section (3), every interim order (whether by way of injunction or stay or in any other manner) which was made before the appointed day on or in any proceedings relating to a pending petition [not being a pending petition which has abated under sub-section (2)], and which is in force on that day, shall if such order has the effect of delaying any inquiry into a matter of public importance or any investigation or inquiry into an offence punishable with imprisonment or any action for the execution of any work or project of pulic utility or the acquisition of any property for such execution, by the government or any corporation owned or controlled by the government stand vacated.

Explanation.—In this section "appointed day" means the date on which section 38 comes into force.

Presidential Powers

59. Power of the President to remove difficulties: (1) If any difficulty arises in giving effect to the provisions of the Constitution as amended by this Act (including any difficulty in relation to the transition from the provisions of the Constitution as they stood immediately before the date of the President's assent to this Act to the provisions of the Constitution as amended by this Act) the President may, by order, make such provisions, including any adaptation or modification of any provision of the Constitution, as appear to him to be necessary or expedient for the purpose of removing the difficulty:

Provided that no such order shall be made after the expiry of two years from the date of such assent.

(2) Every order made under sub-section (1) shall, as soon as may be after it is made, be laid before each House of Parliament.

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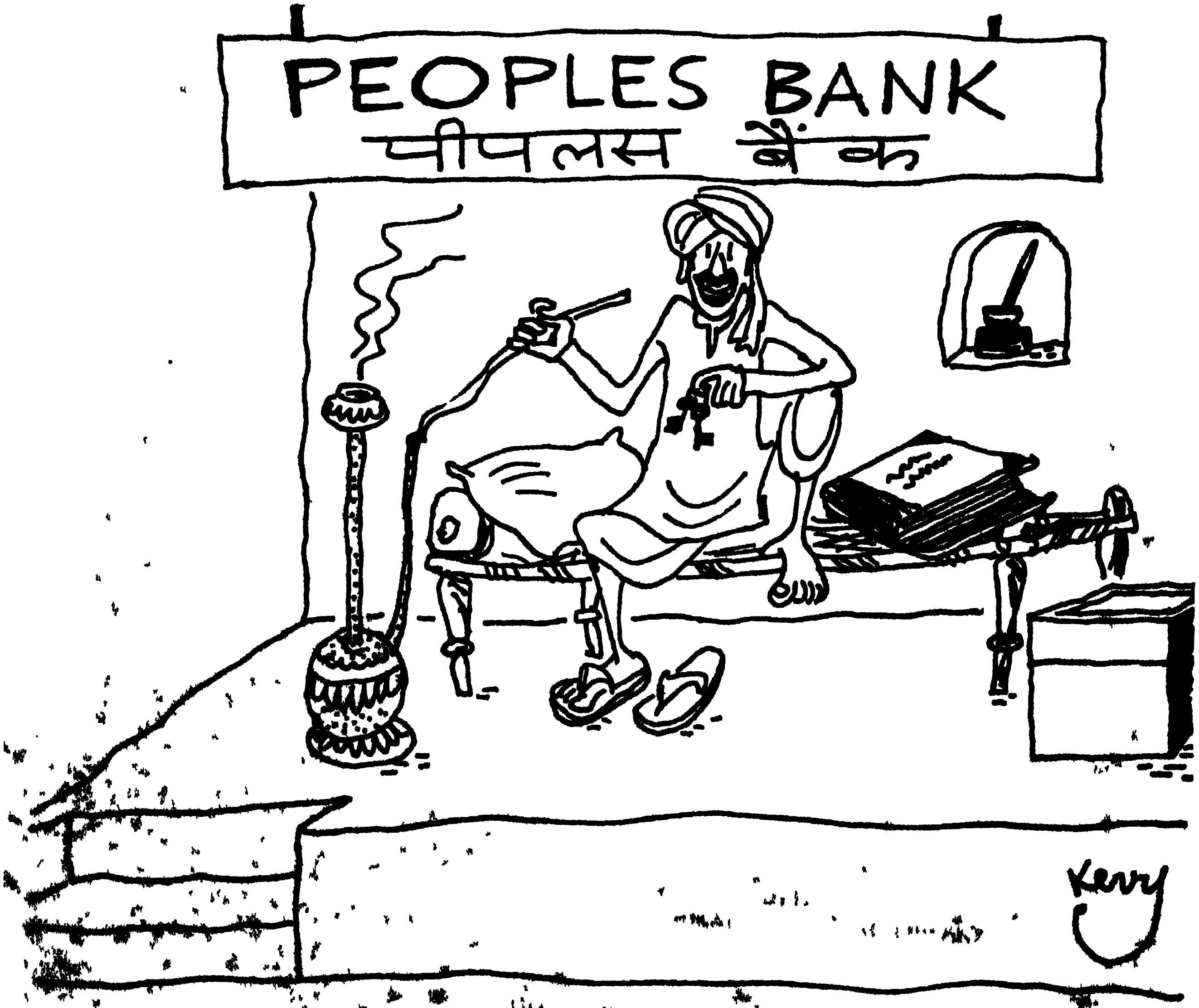

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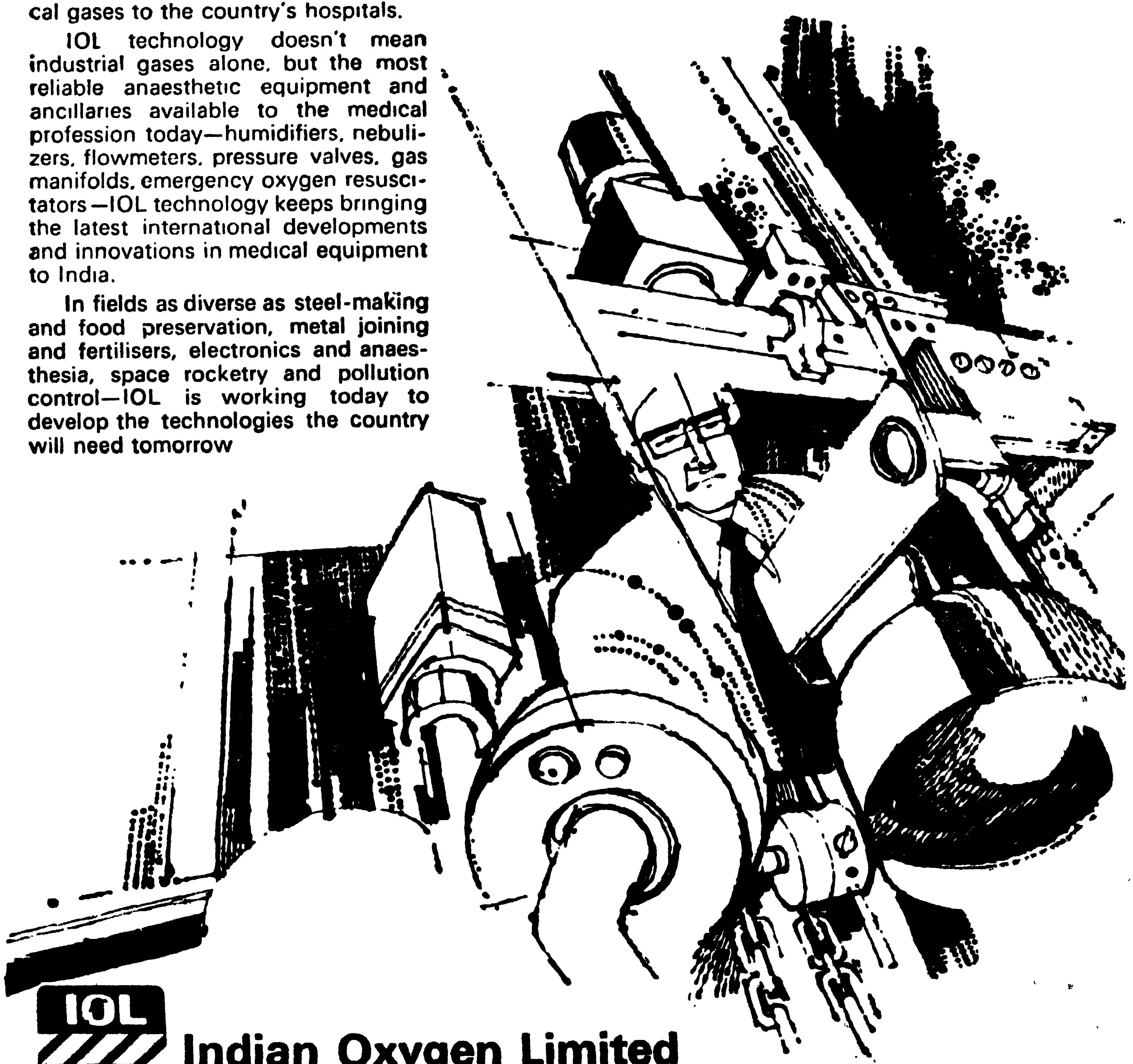

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Mao Tse-tung

VERY FEW political leaders become legends in their life time. Comrade Mao Tse-tung, Chairman of the Central Committee of the Communist Party of China, who passed away on September 9, 1976, was one such leader. Adored by the Chinese people, he piloted the affairs of the most populous country of the world for nearly 27 years. And for almost the same number of years he led the communist party in a bitter struggle for the establishment of communistic rule in China.

It was on October 16, 1934, that the Red Army under Mao started the Long March. The March lasted a full year and a distance of 8,000 miles was covered "on foot, across some of the world's most impassable trails, most of them unfit for wheeled traffic". Throughout the Long March, the Red Army attracted the peasants to them, educated them and recruited them. The army fought its way out of many lines of defence put up by Chiang Kai-shek's troops. Of the 100,000 strong Red Army, hardly 20,000 survived till the end. Said Mao: "The Long March is also a manifesto. It proclaims to the world that the Red Army is an army of heroes".

The Red soldiers under Mao had to follow three rules: (a) prompt obedience to every order; (b) no confiscation from peasants; (c) prompt delivery to headquarters of all goods confiscated from landlords. To these were added another eight points which ultimately found their way to the Red Army song. In 1947, the following two points were included: (i) Don't flirt with women and (2) Don't kill prisoners of war.

Author of the dictum that "political power grows out of the barrel of a gun", he had the distinction of ruthless use of the power he had acquired. And in the process he changed the "sleeping giant" — a popular name for China before 1949 into a powerful country with its extremely regimented population and centrally controlled economy.

Mao taught the Chinese to be self-reliant. In times of distress, he made them work out their own solutions to problems. In a recent earthquake more than a million people are reported to have died. The material loss was also immense. But the Chinese grappled with this problem with fortitude. They refused to go round the world with a beggar's bowl for assistance to face this calamity.

Between 1949 and 1970, Mao laid the foundations of a communist society in China which in addition to the dialectical materialism of Marxism also included the Chinese moral values. He believed that it was men and not materials which were decisive in a class struggle and he tried to mould Chinese society according to his own thoughts. Not that he had easy success in his efforts. The cultural revolution of 1966-69 was a great experiment to keep the flame of revolutionary fire burning. The hardships caused were however unprecedented and the story of the sufferings of the people would perhaps never be told.

An uncompromising leader of men, he led his country into many conflicts with neighbours to assert the supremacy of the Chinese race. Within two years of gaining control of China, he thrust the Chinese army into the Korean war. When the US forces crossed the 38th Parallel, China "was forced to intervene" according to Chou En-lai. On June 1, 1951, President Truman threatened to use the atom bomb in Korea. Mao in his characteristic way said that the atom bomb was a "paper tiger" of which the Chinese were not afraid. His argument was that the Chinese had only a few big cities. Even if they were destroyed by atom bombs, the bulk of the Chinese people would still survive as they lived in rural areas. It also showed the extent to which Mao was determined to go in the Korean war. He supported insurgencies in many countries and broke relations with the USSR which had given substantial assistance in the initial years. In 1962, his armies occupied sizeable northern areas of our country bringing to an end the era of "Hindi-Chini Bhai Bhai" which hardly lasted a dozen years. With extreme arrogance, Mao started creating a separate power bloc despite earlier professions of adhering to the five principles—Panchsheel—adopted by the non-aligned nations.

From 1970 onwards, there was some change in China's foreign policy inspired mostly by its hardening attitude to the USSR. Entry into the United Nations increased contact with the outside world. Then came in 1972 the historic visit of US President Richard Nixon to Peking and his parleys with Mao. Symbolically, China ended its isolationist policy and sought credits from the USA and west European countries, and also obtained technical aid from wherever it could be had.

But before resuming contacts with the outside world, China had proved that through its own efforts it could generate sufficient wealth — both material and technical — to make the atom and hydrogen bombs. And in the economic sphere, the progress attained through collectivization and communes was not of a mean order. Because of paucity of statistical information, it is difficult to measure the level of living attained in China. The World Bank Atlas has given an estimate based on whatever information was available to it. With a population of 811 millions, China had per capita Gross National Product of the order of $270 which was almost double of our country.

After Mao, who? This question has baffled many China-watchers but it appears that the struggle is going to be bitter. Ultimately, it may be collective leadership because no veteran is likely to take the place of Mao. With indomitable courage, Mao had dared to face a split in the world communist movement in the belief that he was right. And he did not waver in his belief till the end.

The Chinese nation has paid Mao the best tribute by refusing to share its grief with the outside world. No representative of any foreign government or any fraternal party or any friendly individual has been invited to take part in the ceremonies mourning Mao's death. Rightly, President Fakhruddin Ali Ahmed described Mao, in his message to the Chinese Head of State, as "a great leader of the Chinese people". He lived for his people and he used every iota of his energy till the end for bettering the lot of his people.

The outlook for steel

WITH THE production of mild steel—both in terms of ingots and saleable steel—at the six integrated steels plant at Jamshedpur, Burnpur, Bhilai, Rourkela, Durgapur and Bokaro during the first five months of the current financial year exceeding by a substantial margin the output during these months last year, the Steel Authority of India (SAIL) appears to be confident that not only would the target set for the year be achieved, but it might even be surpassed. In terms of ingots, the output during the five months to August aggregated to approximately 3.276 million tonnes—23.2 per cent more than that in the corresponding period last year and 2.4 per cent more than the proportionate target for the period. The production of saleable steel amounted to 2.686 million tonnes, as compared to 2.156 million tonnes, showing an increase of 24.6 per cent. The proportionate target for the five months was exceeded by 6.6 per cent.

The overall production from the six plants is targetted to be raised this year to 8.205 million tonnes in terms of ingots and 6.465 million tonnes in terms of saleable steel from the last year's level of 7.251 million tonnes and 5.778 million tonnes, respectively. The production trends, in fact, would have been even better had power availability been adequate, particularly in the month of April, primarily from the DVC network which told upon the output at Jamshedpur and Durgapur. Whereas all the other plants have shown sizeable increases in their production, the output at Jamshedpur has been slightly lower than the proportionate target both in terms of ingots and saleable steel and at Durgapur in terms of ingots.

Compared to the last year's output, the production this year, of course, has been much better at all the steel plants. Bokaro has started yielding wholesome results. It is hoped that its output this year would at least go up to 900,000 tonnes of ingots and 720,000 tonnes of saleable steel from 342,000 tonnes of ingots and 150,000 tonnes of saleable steel last year. Including Bokaro, where some units of the first stage of 1.7 million tonnes of ingot steel are yet to be commissioned, the overall capacity utilisation in terms of saleable steel during the April-August period has been of the order of 86.1 per cent, compared to 85.4 per cent envisaged to be achieved in terms of the target set.

economies effected

Much more significant than the increase in output has been the sizeable economies effected over the past two years in production costs particularly at Bhilai, Rourkela and Durgapur. The production costs at the three plants for the last year are estimated at Rs 1,074, Rs 1,950, and Rs 1, 466 per tonne, respectively, which compare with Rs 1,237 Rs 2,020 and Rs 1,845 on the basis of the 1973-74 costs escalated by the increases necessitated by mounting costs of inputs—both material and human. The cost of production per tonne in 1973-74 at Bhalai was Rs 887, at Rourkela Rs 1,595 and at Durgapur Rs 1,495 per tonne. The cost escalation at the three plants between 1973-74 and 1975-76 is estimated to have been of the order of Rs 350, Rs 425 and Rs 350 per tonne, respectively. There has, thus, been a decrease in cost to the extent of Rs 163 per tonne at Bhilai, Rs 70 at Rourkela and Rs 379 at Durgapur.

With the efforts at reducing costs being continued and the scale of production being expanded through fuller utilisation of capacities, some further decreases in cost are not ruled out this year. The steps taken to bring down production costs include: (i) a close look at the gas balance and impressing upon the Coal India Ltd to improve V.M. in coal with a view to progressively decreasing the use of costly materials such as furnace oil and naphtha; (ii) improving the life of ingot moulds and bottom plates and manufacture of these materials internally in the plants; (iii) reduction in the consumption of stores and spares and undertaking of the manufacture of high quality and costly spares within the plant facilities; (iv) improving and rationalising of internal transporatation facilities with a view to bringing down dependence on contractors; and (v) improving of the product-mix to suit the changing demand pattern.

marketability

In line with the increase in production, concerted efforts are being made to increase the marketability of products both at home and abroad. It is encouraging to note that not only has the demand from the export sector of the engineering industry gone up but also there are indications of revival of demand for the production of consumer durables. Exports this year are envisaged to be raised to as much as 2.5 million tonnes—one million tonnes of pig iron and 1.5 million tonnes of saleable steel—which would net foreign exchange worth nearly Rs 300 crores. Last year, exports aggregated to nearly 797,930 tonnes—291,604 tonnes of pig iron and 506,326 tonnes of steel—which brought in foreign exchange worth slightly more than Rs 110 crores. Already in the first quarter of current financial year, exports have aggregated to about 671,000 tonnes valued over Rs 81 crores.

Apart from pig iron, the products exported include billets, bars and rods, rails, structurals, slabs, GC sheets, wires and ER tubes. The most significant achievement on the export front has been the despatch of rails to Iran, South Korea and Egypt to their specifications for which special steps had to be taken on the manufacturing side. Exports are being effected to a large number of countries including Japan, Yugoslavia, Iran, Bangladesh, Sri Lanka, Syria, Egypt, Kenya, Indonesia, South Korea, Kuwait, Dubai, Abu Dhabi, Poland, Romania, Venezuela, the Philippines, Mexico and Jordan—the last six markets have been fed for the first time this year.

The improved production also has had its impact on the imports of steel, which went down substantially last year and considerably further during the first quarter of the current year. These imports aggregated to 1.2 million tonnes, valued at about Rs 411 crores, in 1974-75. Last year they dropped to just about Rs 150 crores worth. This year they are expected to be of the order of about Rs 110 crores. Thus, for the second year in succession, we will be a net exporter of steel. The imports consist primarily of categories which are not either produced within the country or the production of which is inadequate.

A substantial dent is likely to be made further on imports with the diversification envisaged in the production pattern particularly at the Rourkela steelworks, stepping up of the production of flat products at Bokaro and the attempts being made to diversify the production pattern of the mini steel plants to include alloy and special steels. Temporarily though, the current production of alloy and special steels has made the availability of these steels very easy. This is said to be having some adverse effect on the production at the Durgapur alloy steel plant and the Bhadravati special steels project. This situation, however, should improve considerably in the coming months as demand picks up further.

The distribution pattern admittedly has been rationalised a great deal in the last two years, through the establishment of an increasing number of stockyards all over the country. But a ticklish situation seems to be arising as a result of the insistence by railways in the recent months on the movement of rake loads of 2,000/2,200 tonnes per destination, as against just about half this quantity a few months ago. Most of the stockyards do not have facilities to handle such large consignments. The plants also are understood to be finding it difficult to assemble such large quantities at a given time. The plant storage bays as well do not have either siding or crane facilities to load 2,000/2,200 tonnes in a tight span of time allowed for loading. The large consumers supplied directly from the plants too are facing difficulties not only in regard to handling and storage but also in respect of the finances required.

The new pattern of movement by railways is stated to be resulting in heavy demurrage charges on both the customers and the stockyards. The removal of the tolerance (carrying capacity *Vs* minimum chargeable weight) that was available in loading wagons is further pushing up freight per tonne which may upset transportation and distribution arrangements leading to avoidable shortages and gluts of supplies in various parts of the country. No doubt, the railways have to improve their operations. But surely steps towards

Eastern Economist 30 Years Ago

SEP. 20, 1946

The Report of the Sub-Committee of the Consultative Committee of Economists which was charged with the task of examining and reporting on the American proposals for expansion of world trade and employment is a welcome addition to the growing literature on the subject. Since these proposals were published, several articles have appeared in these pages including contributions from academic economists which examined them from every possible angle and at close and long ranges. Nevertheless the able and admirable survey which the Economists of the Consultative Committee have presented and their detailed comments and recommendations on the proposals deserve the special attention both of Government and the public. They have set out what according to them are the essentials of an appropriate commercial policy for India. Such a policy, while it should be shaped primarily with India's own needs, must also, it is recognised, take into account wider considerations. It should be so adopted as to enable India to take a place in the world economy on a co-operative basis with a view to assisting the constructive effort which is being made for economic harmony and all sided progress. But they rightly affirm that the task of securing a rapid and substantial rise in India's national income necessarily involves the adoption of a programm of planned economic development and for this purpose India must equip herself with all the necessary instruments of regulation, control and direction of trade and enterprise. Unfortunately the American proposals do not seem to recognise this need. Nevertheless it is the belief of the economists that it will not be in India's long-term interest to miss the opportunity of placing her point of view before a World Conference.

this ought to be taken giving enough time to the users for strengthening or augmenting their loading and unloading facilities. It is hoped that the above complications will be amicably sorted out expeditiously.

In the interest of steadily improving further the tempo of production, it will be desirable that the ministry of Energy bestows concerted thought on augmenting the electricity generation facilities, particularly in Orissa, Madhya Pradesh and the DVC area. The generation facilities are stated to be just adequate for the current levels of production at the various steel plants. Even slight dips in generation affect supplies to the plants. The case of Orissa, in fact, needs to be considered in the interest of expanding the capacity of the Rourkela steelworks which task may have to be taken up in the near future.

The mounting food stocks

WHAT SHOULD be the optimum level of buffer stocks of foodgrains? Should there be a single rice zone for the south as proposed by the chief minister of Andhra Pradesh? Both these questions demand an examination of the strategy in respect of procurement operations out of kharif and rabi crops in the 1976-77 agricultural season. It is necessary to examine how the unprecedented high level of stocks of foodgrains can be stored and how support operations in the coming months may be conceived.

The committee which went into the question of food stocks recently has suggested to the government that base stocks of foodgrains should be 10/12 million tonnes, operational stock five million tonnes and peak stock three million tonnes, meaning thereby that an aggregate of 20 million tonnes of foodgrains can be maintained at the peak level. The union ministry for Agriculture is already experiencing serious difficulties in storing foodgrains and it was only recently indicated by Mr. A. P. Shinde, minister of state for Agriculture, that 12 million tonnes are being stored in the godowns and five million tonnes kept in the open in air-strips, open spaces and the like. In view of the reduction in off-take from fair price shops and the prospects of bumper kharif harvest being reaped again in the last quarter of this year, the central government has eventually decided that fresh purchases of foodgrains in overseas markets should be suspended. This decision should have been taken even in January this year when there was a flood of imports under earlier commitments and the procurement operations in respect of rice were proceeding exceedingly well.

The estimates of optimum levels of buffer stocks for basic and operational levels have obviously been considered desirable to avoid a further building up of stocks on account of the difficulties in storage and the possibility of pilferage and the like, after the procurement purchases have been completed. It must be said that the earlier fears of a repetition of the happenings of the last drought, when buffer stocks of nine million tonnes had to be run down to less than two million tonnes in order to feed the population and an anxiety to arrest galloping inflation with the elimination of scarcities of essential commodities, were responsible for massive purchases of seven million tonnes of foodgrains in 1975-76 involving an outlay of foreign exchange of over Rs 850 crores. These heavy imports as well as a bumper output of 118/119 million tonnes have resulted in a big bulge in buffer stocks.

The outstanding procurement credit on June 27, 1975 was Rs 795.43 crores. With large off-take through fair price shops and the hangover of lower output in the previous agricultural season, procurement credit dropped to Rs 575.66 crores on August 27, 1975 representing a net decline of Rs 219.97 crores in two months. The deliveries against purchases in foreign countries were probably coming in slowly. By the end of October 1975, however, there was a rise in food credit by Rs 165.48 crores to Rs 741.04 crores, by Rs 191.12 crores to Rs 932.26 crores on December 26, 1975 and by as much as Rs 584.56 crores to Rs 1,516.82 crores on March 26, 1976. The peak level of Rs 2282.90 crores was touched on July 9, 1976.

worries of affluence

On the basis of these trends and expectations of a good yield of kharif crops, what will be the fresh additions to buffer stocks and what will be the responsibilities of the union ministry of Agriculture in the coming months? The chief ministers of Punjab, Haryana and Andhra Pradesh are obviously worried about the prospect of a further accumulation of stocks out of kharif crops and the emergence of a difficult situation in which even support operations may be found impracticable if appropriate changes are not made in zones for wheat and rice. Already Andhra Pradesh is holding over 1.3 million tonnes of rice in its region and large stocks are still held by millers and farmers. With the kharif crops due to arrive in the next few weeks Mr J. Vengal Rao, chief minister, Andhra Pradesh, has been impressing upon the centre the need for lifting stocks from the state and also declaring that the southern states will form a single rice zone. In Punjab and Haryana too food stocks are still maintained in an unconventional manner in high schools, railway platforms and open spaces. The real problem may arise when the wheat crop arrives in April/May next year. But the output of rice is expected to be quite good, and Punjab and Haryana may be making sizable contribution to the central pool.

Will it be possible to restrict the peak level of stocks to 20 million tonnes by March next even with a suspension of imports? In the subsequent months too unprecedented situations may arise if the rabi crops prove to be satisfactory, as they are likely. What then should be done in the present context? There has not been any big reduction in food credit since July 9, 1976 when the peak was touched. The drop has been only Rs 119.38 crores up to August 27, 1976 while there was a decline of as much as

Rs 219.97 crores on a comparable basis in 1975. There was a rise in procurement credit by Rs 941.16 crores in seven months ended March 26, 1976. This increase in credit probably took place even with financing by the centre of some portion of imported foodgrains. The disgorging of stocks held by farmers and record rice procurement resulted probably in an increase of stocks by seven million tonnes from indigenous sources even after meeting the requirements of fair price shops. Even allowing for some exaggeration on account of heavy imports, the additions to buffer stock from indigenously procured foodgrains could have been about five million tonnes.

There may not probably be the same increase in food stocks till the end of October as imports even against earlier purchases may be received only in small quantities. However, there is a possibility of farmers disgorging their stocks, if the yield of kharif crops happens to be around 68 million tonnes, if not 70 million tonnes. It can also be anticipated that rice procurement will exceed six million tonnes as the standing crops in Punjab, Haryana, West Bengal, Madhya Pradesh and Andhra Pradesh are reported to be in good condition. Even with the possibility of lower output in Orissa and Tamil Nadu due to unfavourable weather condition, rice output may again be in excess of 50 million tonnes in both seasons. It will not be surprising therefore if net increases in buffer stocks up to March next year happen to be about five million tonnes and by July next year nine million tonnes. Can the Food Corporation and other agencies contemplate with equanimity a peak level of 22 million tonnes in March 1977 and 26 million tonnes in July 1977?

special responsibility

The central and state governments will have a special responsibility in carrying out support operations in the coming months. These can be satisfactorily discharged only if, as Mr Vengal Rao has suggested, the four southern states are formed into a single rice zone and Maharashtra is given a special qouta of 400,000-500,000 tonnes of rice out of the surplus of the southern zone in 1976-77. Aggregate production in this zone may be asily 27.3 million tonnes against 25.9 million tonnes in 1975-76 and only 21.68 million tonnes in 1974-75. Even with a drop in the kuruvai crop in Tamil Nadu and drought in certain parts of Karnataka, the estimates may not be adversely affected as Andhra Pradesh will be offsetting any shortfall in these states. It can also be expected that there will be a good crop in rabi season in Tamil Nadu with a satisfactory north-east monsoon. If the southern zone is not formed immediately there may be a crash in open market prices and stocks against support purchase may be difficult to be stored. Similarly, there will have to be an enlargement of the rice zone in north-east India. It will also be advisable to increase the rations in Kerala and in the statutory areas of Bombay and Calcutta. Likewise, the wheat zone will have to be enlarged in north India and the decisions in this regard taken by March next year. Without a careful appraisal of the whole situation and quick decisions the problems of plenty may give rise to headaches more serious than those experienced during periods of drought.

Role of research in jute

AT THE annual general meeting of the Indian Jute Industries' Research Association (IJIRA), held in Calcutta on August 29, Prof. D.P. Chattopadhyaya, the union Commerce minister, reminded the industry of the vital importance of promoting research both in the field and in the factory. He urged the industry to spend more funds on research for improving the production of raw jute and the yield per acre and for finding new uses for jute goods. He suggested that fine hessian could be used as a substitute fabric for fine guage tufting and also to produce fibre reinforced laminates which have many advantages over fibre glass

facilities needed

Despite scarcity of funds and uncertainty of the export prospects, the jute indusrty has been doing a great deal for promoting research but it can achieve more success only if the government of India and the state government concerned provide better facilities and take greater interest in this work. For instance, for over a decade, the yield of raw jute per acre has remained at about 2.79 bales. Some of the impediments to increasing the yield have been the shortage of good quality seeds, lack of money with cultivators for buying fertilisers, inadequate arrangements for the supply of seed drills, sprayers, and other agricultural implements, and insufficient facilities for retting. These deficiencies have been persisting for the past many years. Prof. Chattopadhyaya informed the IJIRA that Mr Jagjivan Ram had asked him to tell its members about the importance of research and development. But the Commerce minister should also impress on his colleague in charge of the ministry of Agriculture and Irrigation on the need to give greater attention to the raw jute cultivation.

infrastructure

It is also essential to improve the infrastructure for the grading and marketing of raw jute by providing facilities for assorting, grading, bailing and storing. Encouragement to the utilisation of jute sticks is another aspect to which research should give more attention. For every maund of jute yield, it is estimated that there are two maunds of jute sticks. Research activities to increase the yield per acre and improve the yield will produce the desired results only when the cultivators are assured of fair prices and when they get the incentive and facilities to produce more. But, in implementing the pricing policy, the government should give proper consideration to the fact that a large quantity of jute goods has to be sold abroad in the face of acute competition.

The jute industry has been often criticised strongly for its failure to appreciate the importance of research and for not setting aside sufficient funds for this purpose. It is true that the industry has not done as much as it should have, for promoting research which is so essential for its survival. But it should be realised that in recent years the industry has been passing through one crisis after another and that its finances have been severely affected. Even so, the industry has been making commendable efforts to diversify its production. For instance, bleached and dyed jute speciality products for decorative end-uses have been developed. New bleaching, dyeing and finishing techniques are being evolved. It is significant that the export of jute speciality fabrics increased from about two million yards in 1969 to nearly eight million yards in 1975.

Other research activities that have been undertaken recently relate to the development of fabrics of special construction for carpet backing, an alternative lubricant for jute, which helps to eliminate the need for jute batching oil, and redesigning the traditional jute woolpack with particular reference to the markets in New Zealand and Australia. Studies have also been taken up for improving productivity in mills and for reducing waste. The research programme includes work on the development of lighter and cheaper construction of cotton bagging, production of blended yarns from jute, synthetics and wool, baler twines, fire retardant barrier fabrics, and elastic jute fibres through chemical treatments.

development of fabrics

The government of India should provide more funds in order to expedite the implementation of these and the other research schemes. The Jute Manufactures Development Council recently suggested that the cess rate on jute goods should be increased to enable it to raise more funds. The present cess at 12 paise for jute goods worth Rs 100 is expected to yield only about Rs. 50 lakhs annually on the basis of a monthly output of 80,000 tonnes. The projects prepared by the IJIRA and other research bodies are estimated to need Rs 87 lakhs in the current year. The government should liberally provide the necessary financial assistance for research but make sure that the funds are promptly and effectively used. It may be recalled that at the inaugural function of the Jute Manufactures Development Council held in April this year, Mr. J.P. Goenka, the Council's chairman, said that the net amount that would be available from the cess at the existing rate would be hardly sufficient to keep up the present level of activity of the IJIRA. He suggested that the government should examine the possibility of collecting the cess through self-assessment by the industry as in the case of excise duty collection, so that the payment of collection charges of Rs 8 lakhs to the excise authorities could be saved and used for research. The government should favourably consider this proposal.

But ultimately the success of the jute research programmes will depend on how soon the industry will be made viable and can operate on a profitable basis. The multinational corporations are spending billions of dollars on the development and promotion of synthetics to displace jute. But the Indian jute industry continues to face a critical situation because of the fall in foreign demand for its products. Therefore, while urging the industry to give more importance to research, the government should create such conditions as will enable it to face the future with confidence and undertake schemes for reducing the cost of production and the promotion of research and development.

Meanwhile, New Delhi should take the initiative in regard to the finalisation of the constitution of the Jute International so that joint efforts can be made by the jute producing countries to promote research and meet the increasing challenge from synthetics. In October last, a meeting was held in New Delhi among the representatives of India, Bangladesh and Nepal to consider the constitution of the Jute International. But no information is available as to when it will start functioning in right earnest. Dacca's rather unfriendly attitude to India in recent weeks seems to show that the jute industry of Bangladesh will not be keen to cooperate with its counterpart in our country in order to strengthen research activities and ward off the threat from synthetics. On the other hand, Bangladesh continues to offer stiff competition to India in many important markets.

For instance, in the first five months of 1976, Britain's imports of jute goods from Bangladesh increased to 8137 tons from 3422 tons in the corresponding period of 1975 while imports from India rose only marginally from 2799 tons to 2906 tons in this period. Dacca is reported to be under-cutting Calcutta's prices in most varieties of jute goods. This may be in Dacca's interest for the time being. But ultimately Dacca's jute industry will also suffer if timely and concerted action is not taken to make jute products cheaper, to find new uses for them, and to explore new markets.

RECORDS AND STATISTICS

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CAPITAL'S CORRIDORS

R. C. Ummat

NTC towards breaking even • Fuller utilisation of industrial capacities • Bank of India's performance • AIEI survey

THE CHAIRMAN of National Textile Corporation, Mr K. Sreenivasan, disclosed at a press conference here last week that his organisation had been able to reduce in July its monthly loss to just about Rs 92 lakhs from the average of over Rs 5 crores last year. He viewed the outlook for the current financial year as a whole with optimism, but hastened to add that this might have to be tempered with caution if the present uptrend in the prices of raw cotton continued. In that case, the corporation, he said, might not be able to break-even which hope was being entertained on account of the impressive improvement in operations since January when the monthly average loss started coming down.

Among the factors which had helped in bringing down the loss Mr Sreenivasan listed : (i) increase in overall production; (ii) higher sale realisations due to increased output as well as improvement in the quality of cloth; (iii) exemption granted to the loss incurring manufacturing units from the obligation of producing controlled varieties of cloth; (iv) purchase of cotton primarily (to the order of 20 per cent) through the public sector agencies; (v) reduction in labour costs, primarily as a result of the amendment to the Bonus Act; and (vi) scaling down of allocation for depreciation.

additional earning

The increase in production and improvement in the quality of products, Mr Sreenivasan said, had yielded in July Rs 5.61 crores additional. The routing of cotton purchase through the public sector agencies had helped in bringing down cost of stores by about Rs 13 lakhs. There had been a saving of Rs 25 lakhs on account of non-payment of bonus to staff and another Rs 3 lakhs on account of depreciation. The exemption from the manufacture of controlled cloth had helped in lowering the loss by about Rs one crore.

Correspondingly, of course, there had been an increase in expenditure on account of higher interest charges on loans from the government, increase in the consumption of cotton as well as in cotton prices, higher fuel and power bill and larger administrative expenditure, aggregating to 2.86 crores. The net reduction in the monthly loss, therefore, had been of the order of Rs 4.16 crores.

streamlined methods

Mr Sreenivasan also revealed that the management and costing methods had been streamlined. This too had led to a good deal of improvement in the working of the corporation. Thanks to governmental loans, it had been possible to avoid distress sales of cloth which had to be resorted to last year to improve the ways and means position. The corporation was vigorously pursuing a sales drive. It had opened 100 retail marketing outlets under its own auspices and another 100 sales depots had been opened by the subsidiaries. The sale realisations in July had gone up to Rs 30.20 crores from the average monthly level of Rs 21.04 crores last year.

The corporation, Mr Sreenivasan added, was going ahead with the rehabilitation and modernisation of the various mills under its charge numbering over 100. A sum of Rs 67 crores had already been sanctioned for this purpose out of which Rs 36 crores had been spent on installing new machinery and equipment. A five-year corporate plan for modernisation was currently being drawn up; it was expected to be ready by the end of this year. Involving a sum of approximately Rs 200 crores, this plan would enable the corporation to modernise its mills at a more rapid pace than has been the case in the past. The new modernisation programme will enable the corporation's units to produce high-priced blended fabrics on an increasing scale. Facilities for the production of such fabrics are available only with very few mills of the corporation at present.

The corporation plans to export grey cloth to the tune of about Rs 20 crores this year, as against last year's exports worth Rs 15 crores. The total turnover of the corporation this year is expected to be around Rs 300 crores—about Rs 50 crores more than last year.

* *

In pursuance of its drive towards better utilisation of the already installed industrial capacities, the union ministry for Industry has decided that those undertakings in 65 selected industries which had earlier got their licences endorsed for increased capacity in terms of the relaxation announced on January 1, 1972, will now be eligible for the normal permissible increase in production by 25 per cent over their enhanced capacities. This, however, would be subject to two conditions, namely, (i) no additional plant and machinery is installed except minor balancing equipment procured indigenously, and (ii) no additional expenditure of foreign exchange is involved and the extra production does not occasion any additional demand for scarce raw materials.

In the press note dated January 1, 1972, the government had announced the following liberalisations in industrial policy with a view to securing fuller utilisation of the then existing plants and machinery in the case of 65 specified industries; (a) wherever the licence issued to a party mentioned a certain capacity, specifically on the basis of one or two shift working, the party would be allowed an increase in its licensed capacity on the basis of maximum utilisation of plant and machinery, and (b) in other cases, the normal relaxation of increasing the production by 25 per cent of the licensed capacity would be enhanced up to a maximum of 100 per cent. It was clarified in that notification that in respect of industrial undertakings entitled to the above concessions, the facility for further enhancement of production by 25 per cent admissible to all industries would be subsumed and that once the licences were re-endorsed, the undertakings would not increase production by 25 per cent over the revised licensed capacity.

This decision was amended in January, 1975, when the government announced that the industrial undertakings which still held industrial licences specifying capacities on single or double shift basis could apply for endorsment of maximum utilisation of plant and machinery. This liberalisation was admissible to all industries. The facility of increasing the production upto 25 per cent of the capacity licensed subject to the prescribed conditions was available to these industries.

The latest decision rationalises the position in regard to the 65 industries covered by the January 1, 1972, notification and will help in expanding their production also by 25 per cent over the endorsed capacities.

* * *

The Bank of India, which has considerably improved its operations since nationalisation by going to the semi-urban and rural areas, is adding new dimensions to its working by setting up two new divisions, namely the international banking division and the merchant banking division. The need for setting up the international banking division has been felt not only because of the increased foreign exchange business being handled by the bank, but also due to the sea-change that is taking place in the international monetary mechanism and the increasing enterprise being shown in the Indian industry. The merchant banking division has been planned with a view to assisting small and medium entrepreneurs through conducting investment studies for locating new and favourable opportunities for capital investment, preparing technical and financial feasibility reports and negotiating loans from financial institutions.

The bank is also introducing for the benefit of those having fixed deposits with it, from the next month, a fixed deposit linked Janta personal accident scheme under which any person within the age group 16 to 60 years depositing Rs 500 for a period of 61 months or more will be covered for personal accident insurance of Rs 10,000 from the date of deposit of its entire duration. The insurance premium will be borne by the bank and the rate of interest payable to the dopositor on his deposit on maturity will be 10 per cent per annum (simple). Initially, the insurance policy will be for one year. It will be renewable annually till the maturity of deposit.

rural orientation

The rural orientation of the bank since nationalisation is evident from the fact that out of the total 950 branches which it had on June 30, 1976, only 370 were located in urban and metropolitan areas. The rural branches aggregated to 337 and the semi-urban branches to 243. On July 19, 1969, at the time of nationalisation, the bank had 270 branches—174 branches in the urban and metropolitan areas and only 43 and 53 branches in the rural and semi-urban areas. Of the 680 branches opened since nationalisation, 300 are in the rural areas and the same number in the backward districts. The bank has also adopted 279 villages for comprehensive development.

The assistance of the bank to the priority sectors has multiplied fast. Whereas in July, 1969, its outstanding loans to agriculture amounted to only Rs 9.63 crores spread over 18,149 accounts, they had gone up to as much as Rs 72.26 crores in March this year covering 113,554 accounts. The outstanding loans to small-scale industries, which covered 2,550 accounts and aggregated to Rs 12.73 crores in July, 1969, had gone up to Rs 76.98 crores covering 19,428 accounts. Assistance to the tune of Rs 1.22 crores had been made available by the bank for setting up three industrial estates by December, 1974. It went up to Rs 1.80 crores by December last year and Rs 2.25 crores in March last. The other beneficiaries of increased assistance from the bank have been the road and water transport operators, retail trade, small business, professional and self-employed persons and students going in for higher studies. The number of accounts assisted by the bank in the above priority sectors, including agriculture and small-scale industries, has gone from 21,549 in July, 1969, to 188,973 in March last. The outstanding loans against these accounts during this period grew from Rs 24.22 crores to Rs 183.40 crores. The bank's financing of exports too has nearly quadrupled from Rs 25.6 crores in June, 1969, to Rs 103.02 crores in June last. A good deal of work has been done by the bank for entrepreneurship development. Another important activity that has been undertaken is participation in the slum clearance programme.

The total deposits of the bank now exceed Rs 1,270 crores, as against Rs 435.88 crores in 1969. The advances during this period have grown from slightly less than Rs 300 crores to over Rs 800 crores. The net profit earned last year amounted to Rs 3.2 crores, as against Rs 1.61 crores in 1969.

The engineering industry is more optimistic about export prospects during the current financial year than it was during the six months October, 1975—March 1976. This is revealed in a study of engineering export trends just completed by the Association of Indian Engineering Industry (AIEI) based on the response from 114 select engineering exporters.

Sixty one per cent of the respondents expect improved export prospects during April '76—March '77, as against 34 per cent expressing this optimism in October, 1975, for the period October '75—September, 76. Similarly, only 6 per cent are pessimistic about export prospects during 1976-77, as compared to 25 per cent in the previous period.

Sixty-five per cent of the respondents have forecast an improvement in value of new export orders during the six months ending September 1976, as against 43 per cent reporting this for the period October, '75—March '76. The values of export deliveries are expected to be higher in the six months ending September '76 according to 67 per cent of the respondents, as compared to 38 per cent reporting this for the period October '75—March '76.

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Management of cash in public enterprises

Dr. R. K. Mishra*

The author has come to the conclusion that much remains to be done to exploit the tool of cash management for optimising the rate of return on capital employed in public enterprises. He feels that the existing arrangements in connection with financial sanctions and delegation and decentralisation of the authority are such that demands for funds get automatically inflated. He has suggested that the procedural set-up for cash planning and control should be systematised and the tendency to equip lower and middle management personnel with more financial powers should be encouraged.

PUBLIC ENTERPRISES have been chosen as vehicles of economic development of India. On their successful performance and rapid growth depends the economic bounty of the country. It is in this context that an increasingly heavy emphasis is being laid towards making capital employed in these enterprises productive. One widely held determinant of this productivity is the computation of the rate of return earned on capital employed. The rate of return on capital employed is the end result of the multiplication of turnover and margin. In any attempt to boost this rate of return, attention has to be directed to each such factor which can influence either of these components or simultaneously both of them. Cash being a factor of latter nature, its effective and efficient management provides an important clue to making capital employed in these enterprises productive. The intent of this article, therefore, is to study the dimensions, process and problems of cash management in public enterprises.

the twin view

The study of dimensions, process and problems of cash management pertaining to public enterprises may be done by highlighting trends in their size and adequacy of cash and critically examining their procedures for its planning and control. This makes it necessary to include the twin view, i.e. macro-micro view of cash management, concerning public enterprises. Thus the study of trends in the size and adequacy of cash has been done in relation to "running industrial and commercial undertakings" of the central government and the process of planning and controlling cash bears reference to the Hindustan Steel Limited (HSL). Considerations such as the size, complex operating cycle and importance from the angle of economic development programme have led to the selection of HSL from among 122 "running undertakings" of the central government in 1974-75 to focus the micro view of cash management in public enterprises.

POINT OF VIEW

In 1974-75 with an investment of Rs 1025 crores and a turnover of Rs 978 crores, HSL accounted for 14.1 per cent of the total investment in 122 industrial and commercial undertakings of the central government and 9.9 per cent of their total turnover. Incorporated in 1954 initially for the management of Rourkela Steel Plant, the management of Bhilai and Durgapur steel plants were also transferred to HSL in April 1957. The authorised capital of this concern was initially Rs 100 crores which was raised to Rs 300 crores in April 1957. The three steel plants of the company came into operation in 1960-61. Again in March 1962, the authorised capital was increased to Rs 600 crores in

TABLE 1

Size of Cash and Value of Sales of Running Industrial and Commercial Undertakings of the Central Government

Year	Size of cash (Rs in crores)	Value of sales (Rs in crores)
1960-61	2.37	212.00
	(100.0)	(100.0)
1961-62	Not available	283.00
	(-)	(133.5)
1962-63	33.00	400.00
	(1392.4)	(188.7)
1963-64	53.50	559.00
	(2384.0)	(263.7)
1964-65	72.60	659.00
	(3063.3)	(310.8)
1965-66	64.00	861.00
	(2704.0)	(406.1)
1966-67	79.00	1395.00
	(3333.3)	(658.0)
1967-68	107.00	1831.00
	(4514.8)	(863.7)
1968-69	121.00	2427.00
	(5105.5)	(1144.8)
1969-70	128.00	2976.00
	(5400.8)	(1405.7)
1970-71	147.00	3285.00
	(6202.5)	(1549.5)
1971-72	179.00	3942.00
	(7552.7)	(1859.4)
1972-73	238.00	5262.00
	(10042.1)	(2482.1)
1973-74	298.00	6777.00
	(12573.8)	(3196.7)
1974-75	N.A.	10217.00
	(-)	(4819.8)

Note: Figures in brackets represent base year percentage growth.

Source: Bureau of Public Enterprises (Ministry of Finance, Government of India, New Delhi), "Annual Reports on the Working of Industrial and Commercial Undertakings of the Central Government for the years 1963-64 to 1974-75" and "A Handbook of Information on Public Enterprises (1969)".

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The author is greatly indebted to Dr Om Prakash, Senior Professor in Economic Administration and Financial Management, University of Rajasthan, Jaipur, for the valuable guidance iven in the preparation of this article.

view of the expansion of the three steel plants and the setting up of the alloy steel plant during the third five-year Plan period. To meet the additional requirements of the capital funds, the authorised capital was further raised to Rs 700 crores. In December 1972, the government of India decided to set up a holding company for steel and associated input industries under the name of "Steel Authority of India Limited" (SAIL) and accordingly, HSL became a fully owned subsidiary of the same.

overall increase

Table I (p. 568) depicts the size of cash and the value of sales of "running industrial and commercial undertakings" of the central government.

The table indicates that the overall percentage increase in the size of cash of running concerns had been much greater than that of the value of sales. For example, while the increase in the size of cash of these undertakings was of the order of 12473.8 per cent between 1960-61 and 1973-74, the value of sales could increase only by 3096.7 per cent during this period. The authorities on business finance have held that increases in sales are normally associated with by 'larger bank balances',[1] the growth of which according to the latest expert writings[2] should decrease as the size of business increases. But the actual position, as is evident from Table I, was quite contrary, which only shows that there existed bright scope of reducing the size of cash in public enterprises. The findings on the adequacy of cash in public enterprises fully support this conclusion.

Business enterprises have to keep cash to meet their daily operational requirements and to maintain liquidity and solvency continually. Both these functions are of paramount importance to the very existence of an enterprise in the business world. The sufficiency of cash in terms of fulfilment of current operational requirements of a business enterprise is judged by the computation of basic defensive interval ratio[3] (i.e., the ratio of quick assets to total operating costs). The product of this ratio when divided by 365, gives the number of days a firm can operate on existing cash reserves without resorting to cash flows from sales or other sources. The computation of various ratios has been suggested to find out liquidity and solvency position of a business enterprise.[4] Of these, two very popular ones are related to the computation of the current and the quick ratio. Attempts have been made to measure the liquidity and solvency position of public enterprises by the computation of these ratios.[5] But such modern financial analysts as Professor James E. Walter, do not agree with the view that sufficiency of cash and near cash reserves guarantee the liquidation of currently maturing obligations. They, therefore, suggest that the currently maturing obligations should be matched with the net cash flows and only thereafter appropriate conclusions about the liquidity and solvency position of business enterprises should be drawn.[6]

The relationship of current liabilities with the net cash flows may be computed as a percentage of current liabilities, and, second, the product of the ratio of turnover of current liabilities (i.e., the ratio of yearly sales to current liabilities) may be multiplied with the profit margins (i.e., the percentage of net profit to sales), which Professor Walter calls the "coverage of current liabilities". Truly speaking, all these four ratios should be computed to find out the adequacy of cash in relation to the liquidity and solvency requirements of a going concern and, therefore, of "running industrial and commercial undertakings".

Table II shows the various cash adequacy ratios for the "running industrial and commercial undertakings of the central government".

This table points out three important features of the phenomena under discussion. First, operationally public enterprises had overinvested in cash. The level of operational adequacy of cash should

TABLE II

Basic Defensive Interval, Current, Quick, Net Cash Flows to Current Liabilities and Coverage of Current Liabilities Ratios in "Running Industrial and Commercial Undertakings".

Year	Basic Defensive Interval Ratio (In days)	Current Ratio (In times)	Quick Ratio (In times)	Coverage of Current Liabilities (In percentage)	Net cash Flow to Current liabilities (In percentage)
1960-61	NA	3.4	2.5	7.6	NA
1961-62	NA	NA	NA	NA	NA
1962-63	NA	2.2	1.0	NA	NA
1963-64	NA	2.2	1.2	5.8	NA
1964-65	103	2.6	1.4	9.0	40.0
1965-66	185	2.1	1.1	5.0	25.3
1966-67	130	2.1	1.0	—	12.7
1967-68	128	2.1	0.9	—	4.6
1968-69	134	2.3	1.0	—	32.9
1969-70	123	2.1	1.0	—	55.2
1970-71	99	2.2	0.8	—	5.2
1971-72	105	2.2	0.8	—	11.6
1972-73	119	2.2	1.0	1.1	28.0
1973-74	113	2.0	0.9	2.6	—

NA—Not available

Source: Computed on the basis of data contained in the "Annual Reports on the Industrial and Commercial Undertakings" and "A Handbook of Information of Public Enterprises" (1969), Bureau of Public Enterprises, Ministry of Finance, Government of India, New Delhi.

fluctuate from time to time due to variation in the quantum of production, pattern of demand, payment of pay-rolls, availability of short-term, intermediate term and long-term credit and increase in the prices of raw materials, stores and spares, etc. But financial analysts opine that business enterprises should keep cash and near cash assets below the requirements of 30 days' normal expenditure.[7] If cash and near cash assets happen to be more than this limit, it should be taken for granted that excessive cash is being carried by the firm.

defensive interval ratio

The basic defensive interval ratio of running concerns indicates that the minimum cash reserves kept by public enterprises in 1970-71 could finance their 99 days' operational requirements and the maximum of their cash reserves in 1965-66 were to the tune of 185 days' operational needs. Second, traditionally public enterprises were keeping enough cash and near cash assets to liquidate their currently maturing obligations. A "two to one" current ratio and "one to one" quick or acid-test ratio are supposed to be the indicators of satisfactory liquidity position of a business enterprise.[8]

Ratios exceeding these prescribed standards should generally indicate that the firm has locked up excessive cash in current assets and a reduction in the requirements for cash is possible through the careful regulation of current assets. The current and quick ratios of public undertakings indicate that while the former was above the standard in each year of the study excepting 1973-74, the latter was a little lower than its standard in 1968-69, 1970-71, 1971-72 and 1973-74. It is worth noting that in these four years the structure of current assets tended to be disproportionate in favour of inventories. The percentage of inventories to current assets in the undertakings under reference was 46.0, 50.0, 50.0, 57.0, 53.0, 57.0, 62.0, 63.0, 52.3 and 52.7 respectively in the years 1964-65, 1965-66, 1966-67, 1967-68, 1968-69, 1969-70, 1970-71, 1971-72, 1972-73 and 1973-74.

Third, actually in spite of the basic defensive interval, current and quick ratios being on the high side, public enterprises were cash tight. The net cash flows as percentage of current liabilities were quite inadequate and the coverage provided to current liabilities was almost non-existent. From 1966-67 to 1971-72 the coverage provided to current liabilities was nil, between 1972-73 and 1973-74 it was very meagre, and during 1960-61 to 1965-66 it was well below 10 per cent. The net cash flows as percentage of current liabilities were never cent per cent. In 1967-68, public enterprises could pay off only 4.6 per cent of their current liabilities from net cash flows. The maximum of current liabilities that they could pay off from net cash flows was 55.2 per cent in 1969-70.

The review of foregoing features of Table II points out that the quality of circulating and fixed assets management in public enterprises had been poor and their cost of production had been too high to yield any profits for them. In such situation it was urged on public enterprises to make their cash management productive by the introduction of an effective and efficient system of planning and controlling cash.

economic mechanism

An effective and efficient system of planning and controlling cash is one which optimises cash holdings and provides for the most economic mechanism for the collection and disbursement of cash. The optimisation of cash holdings depends on two elements. First, there should be a justifiably correct estimation of cash flows and, second, thus estimated cash flows should be strictly regulated. The introduction of the most economic mechanism concerning the collection and disbursement of cash envisages that cash inflows must be speeded up, cash outflows must be contained and cash flows should be synchronised. The operation of such mechanism could be made possible by the creation of a suitable organisation for this purpose.

In HSL three forecasts are prepared for the estimation of cash flows. First in the series is cash flow forecast for capital operations. This is a yearly forecast containing quarterly breaks-up of receipts and disbursements as regards capital programmes for HSL. Based on final balances of these two and the initial figure of opening balance, it further outlines the requirements of the company in this realm. It then estimates finances from operational receipts. The difference between the requirements and finance from operational receipts is shown by the forcast as balance to be financed from government loans. The cash flow forecasts for capital operations are first prepared individually by the different units of HSL and then after due screening are compiled into one at the head office. After this, a cash flow forecast for operations other than construction is prepared. This contains estimates of opening cash balance, receipts, disbursements and net excess/deficit for the concern.

overall cash flow

Finally, a cash flow estimate for entire operations of the company is prepared which gives information about the cash inflows, cash outflows and the sources from which the gap between the two may be bridged. These forecasts are prepared on the lines of the cash flow forecast for capital operations.

The control on cash flows in the company is exercised by "weekly" and "quarterly" cash flow reports and a monthly "fund flow" statement. The weekly cash flow reports are submitted by the various units to the head office. In this report the units indicate the position of cash flows of capital as well as operational nature during a specific week.

In the funds flow statement, which is submitted monthly by the various units to the head office, changes in working capital are worked out and sources and uses of funds are ascertained. The special features of this statement are taken note of by the board as a part of review of operations for the month. The quarterly cash flow report is prepared at the head office and it forms an essential part of the "Quarterly Financial Review" which has to be submitted compulsorily by public enterprises to the ministry of Finance and their parent administrative ministries. In this report, the budgeted cash flows for a quarter are compared with the actuals for that period and the estimates for the remaining quarters of the year are indicated in the next column.

The review of the system of estimates

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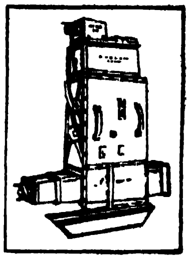

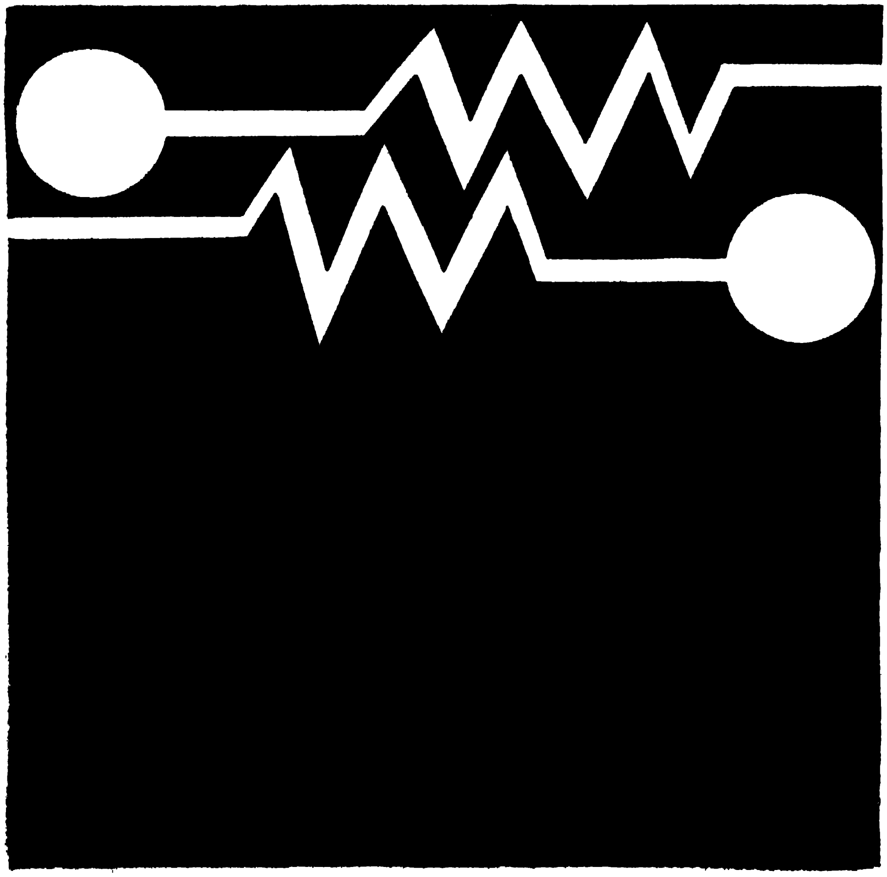

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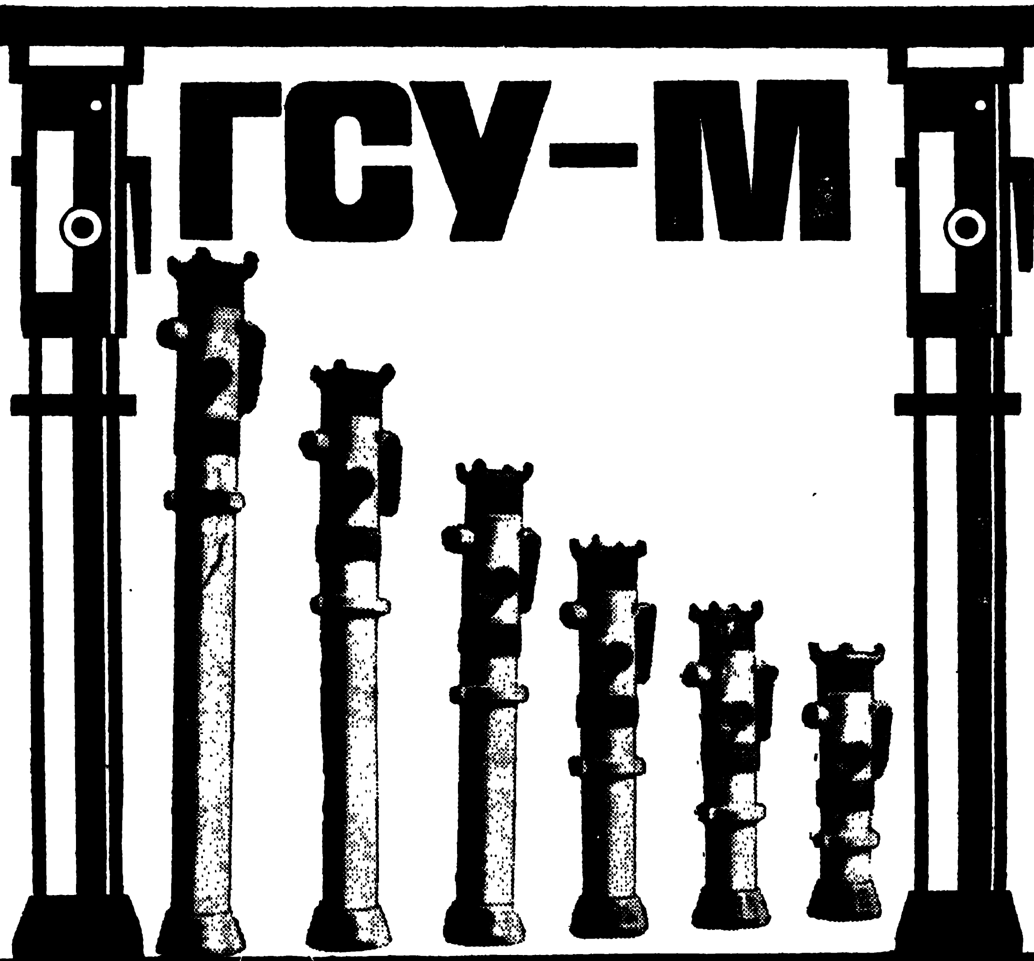

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is not being done on monthly, weekly and daily basis. Any cash planning in the absence of such an improvement cannot be expected to optimise cash holdings. Further, the weekly and monthly reports on control of cash have been of no consequence to HSL as the actual cash flows for these periods could not be compared with the programmed cash flows on account of the non-availability of information on the same.

optimisation needed

As noted earlier, the efficient and effective management of cash depends not only on the optimisation of cash holdings but also greatly on the institution of an organisation responsible for most economical administration of cash gatherings and cash disbursements. The experience of American business corporations in this connection suggests that centralisation of cash functions fulfils this requirement exceedingly well.[9] In HSL, no central organisation for the management of cash had been in existence before October 1965. Management of cash was looked after by the different units independently during the period and the work of the head office was mainly limited to the collection of figures relating to cash for accounting purposes. But the board of directors in their meeting of May 11, 1965, expressed a deep concern over such decentralised management of cash, for 'it did not facilitate a proper planning about cash and achieving a more rational utilisation of operational funds.' Thus with a view to promoting a common company outlook, the board approved the administration of operational funds centrally at the head office. The formalities took some time and the scheme was given effect to from October 1, 1965. Under the scheme:

(a) the entire sales realisation from various places (where the concern had collection accounts) were transferred daily to the central account at Ranchi;

(b) the plants placed indents on the head office for funds for operational purposes and such funds were transferred to their respective cash credit accounts subject to availability for the central cash credit account;

(c) the cash credit facility was intended to be centralised at Head Office but it was not done because the plants wanted to retain the cash credit facility to themselves.

But the board's scheme about the administration of operational funds could survive for less than a year only. Although the funds received from the steel plants were remitted to them almost in toto, there was hardly a month in which communications were not sent by the plants complaining that the head office was not providing funds as and when sought, in spite of the fact that the plants' total demands for funds often exceeded the sales realisation. The real problem was that financial discipline was lacking and the central scheme became the target of attack. The operation of the scheme was discussed at the meeting of the board on May 2, 1966, when one member suggested an alternative means of central control. His proposal was that each plant should remit to the head office an amount equal to one-twelfth of interest liability, depreciation and estimated profit and manage its finances within the balance operational funds/overdraft facilities available to it.

reversion of procedure

This suggestion was considered and approved by the board of directors and the control of operational funds was decentralised again. However, the plants did not remit to the head office in any month one-twelfth of interest liability, depreciation and the estimated profit. In fact, the plants utilised these amounts for their working capital requirements and accordingly, the diversion of operational resources to capital fell very much short of the expectations. Besides this, the plants also failed to utilise fully the cash credit facilities.

Against the limit of Rs 16 crores, as agreed to by the State Bank of India, the cash credit utilisation of the plants was generally of the order of Rs 7 crores. According to the plants' books the utilisation was of the order of about Rs 11-12 crores but as there is always a time lag between the issue and presentation of cheques, the actual utilisation was much less. Because of the under-utilisation of the cash credit facility, the State Bank of India was later reluctant to accept the request of the company to increase the facility to Rs 30 crores. It was also seen that certain accounts had been carrying large cash balances while the plants had overdrawn on their cash credit accounts resulting in sizeable loss to the company.

Taking the above difficulties in consideration, the board of directors in their meeting of February 30, 1968, recentralised administration of operational funds with the following modifications :

(a) the entire cash credit facility was to be centralised at the head office. The plants were to operate on nominal current accounts, the debit/credit balances of which had to be transferred to the central cash credit account on daily basis ;

(b) the nominal current accounts were to be operated within a ceiling determined by the head office, after taking into account the estimates of receipts and payments, interest and depreciation provisions and estimated profit/loss;

(c) a separate account in respect of each plant was to be opened with the State Bank of India's Doranda branch which was to accumulate all receipts and on which concerned plants were to draw for heavier payments such as excise duty, customs duty, sales tax, railway dues, etc.

separate organisation

For the implementation of the above scheme, the finance division of the concern created a separate organisation by the name of "cash section", which is being headed by an accounts officer. Apart from the administration of operational funds centrally, the "cash section" was also put in charge of the functions such as the preparation of long-term forecast relating to the generation of cash and its utilization, repayments of the government loans, drawing of funds from the government and maintenance of current accounts balances. The administration of operational funds centrally has brought about the following gains for the company :

(a) As the case balance/overdraft merge into a single account maintained at Ranchi, there has been a considerable saving in interest charges.

(b) It has resulted in optimum utilisation of each credit facility as the entire facility is viable through a single account at Ranchi instead of number of accounts as per the practice prevalent before February 20, 1968.

(c) It has ensured repayment of past loans on time.

(d) As far as possible, the scheme has ensured the diversion of operational funds to capital to the level expected at the time of drawing yearly budget. This has also indirectly provided a check on working capital increases.

(e) It has led to the conversion of deposit accounts with customs into a single account for each port and the regulation of deposits with railways with reference to quarterly and half yearly or annual requirements, releasing sizeable cash.[10]

(f) It has enabled the company to take full advantage of export credit facility and make the government agree to accept payment of interest in two six-monthly instalments with the result that overdraft has come down with a bank bringing interest charges with them.

Table III reveals the position of the size of cash, bank overdraft, utilisation of cash credit, balances with government bodies and net interest paid during the period of completely decentralised, centralised, redecentralised and recentralised management of cash operations in HSL. It is evident that management of cash showed improvements in 1965-66 (period of centralised cash managemet) as compared to 1960-61 to 1964-65 (period of decentralised cash management), deteriorated in 1966-67 and 1967-68 (period of redecentralised cash management), and has been in good health thereafter (period of recentralised cash management). During the period of centralisation there has been a tendency to keep smaller cash balance and utilise fully the cash credit facility. To add, there has been a significant decline in the ratio of deposits with customs, port-trusts and railways to turnover.

Following HSL's example, most of the "industrial and commercial enterprises" have created an organisation for cash management and made it goal-oriented. But while treading on the lines of HSL, almost all the enterprises, excluding the State Trading Corporation of India Ltd in which the scheme of fund management

TABLE III

Performance at a Glance of the Decentralised Administration of Fund in HSL

(Rs in crores)

						Particulars						
Years	Turnover	Base year % growth	Cash	Base year % growth	% to turn-over	Bank over-draft	% to turn-over	Line of cash credit	% Utili-sation	Deposit with customs, port-trusts and rlys	% to turn-over	Net interest paid
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
1960-61	40.97	100.00	1.37	100.00	3.70	12.02	30.00	16.00	75.20	NA	—	NA
1961-62	70.88	173.00	3.10	225.30	4.40	11.75	17.00	16.00	73.50	NA	—	NA
1962-63	124.51	304.00	4.20	304.70	3.20	7.14	5.60	16.00	44.20	NA	—	NA
1963-64	182.25	444.80	12.20	886.10	6.60	0.28	—	16.00	1.80	4.10	2.20	NA
1964-65	206.26	534.70	23.71	1722.20	7.60	3.19	1.50	16.00	20.60	3.63	1.90	NA
1965-66	238.81	582.90	13.28	946.60	5.50	19.07	8.00	16.00	119.20	3.33	1.40	—0.29
1966-67	231.01	561.80	17.73	1287.30	8.00	11.56	5.30	16.00	72.30	3.16	1.40	—0.65
1967-68	257.76	614.50	24.42	1773.60	10.00	14.17	5.60	16.00	88.60	3.59	1.40	—0.61
1968-69	320.40	782.00	22.57	1647.50	7.20	18.54	5.90	16.00	90.07	1.60	0.50	—3.78
1969-70	381.33	930.80	5.68	474.60	1.60	19.53	5.20	20.00	94.80	1.80	0.50	—1.44
1970-71	417.33	1016.70	13.30	970.80	3.10	21.67	5.20	20.00	108.55	2.57	0.60	—1.48
1971-72	44.93	1086.00	7.01	508.00	1.10	21.78	5.00	20.00	108.90	5.00	1.10	—1.73
1972-73	594.80	1451.80	8.26	602.90	1.30	26.40	4.40	45.00	58.67	6.23	1.00	—2.20
1973-74	680.85	1661.80	7.79	567.90	1.20	32.02	4.70	45.00	71.11	6.66	0.90	—1.88
1974-75	977.95	2142.91	10.22	746.00	1.04	61.86	6.34	60.00	103.10	5.92	0.61	—3.30

NA—Not available **Source** : Annual Reports of HSL for the years 1960-61 to 1974-75.

was introduced in 1968-69, have not assigned their cash management the major responsibility of improving perennially the flows of funds from operations. This difference between the functions of cash management through conceptional organisational, locational, procedural and attitudinal changes has paid rich dividends to the STC. While the corporation had an overdraft of Rs 13.65 crores in 1967-68 to run a business of Rs 141 crores, it had turned it into a credit balance of Rs 8.35 crores on a turnover of Rs 300.80 crores in 1971-72. In 1968-69, Rs 65 lakhs were paid by way of interest. In 1969-70, 1970-71, 1971-72, 1972-73, 1973-74 and 1974-75, Rs 18 lakhs, Rs 28 lakhs, Rs 11 lakhs, Rs 19 lakhs, Rs 11 lahks and Rs 19 lakhs were earned respectively by way of interest despite the increase in turnover.

reduced percentages

The percentage of stocks to sales which stood at 28.93 per cent in 1967-68 came down to 8.32 per cent in 1974-75. Similarly, the debtors to sales ratio which stood at 16.50 per cent in 1967-68 came down to 1.45 per cent in 1974-75. The percentage of cash to sales declined from 1.5 per cent in 1967-68 to 0.4 per cent in 1974-75. The percentage of expenditure to turnover which stood at 3.74 per cent in 1967-68 came down to 0.78 per cent in 1974-75. In order that the scheme of fund management turns the corner, the corporation prepares different statements relating to daily cash position, weekly credit utilisation, monthly forecast of cash flow, and position of stocks and debtors.[11]

Besides, a new department under the 'Finance and Accounts Division' known as the 'Contracts and Credit Department' was set up in 1969. This department plays an important role in fund management as its functions include management of cash (i.e., the management of funds position, borrowing arrangements investment of surplus cash, etc), granting of credit (i.e., the management of loans, advances and guarantees, etc.), recovery of outstanding dues from sundry debtors, liquidation of stocks by periodical scrutiny and constant follow-up laision with lending institutions, maintenance of opinion sheets regarding creditworthiness of associates, and profitability evaluation and follow-up of contracts.

With an efficient execution of these functions, the 'Contracts and Credit Department' has largely helped the corporation to set up a consolidated cash control system, exercise effective control over cash, evaluate credit risks and develop sound credit policies, hold down bad debts and minimise the amounts of funds tied up in sundry debtors and stocks, invest surplus funds profitably taking into account the yield and risk factors, and maintain close working relationship with bankers.

The comparison between the cash management systems of the State Trading Corporation of India Ltd, and HSL points up that the problems of cash management in public enterprises are four-fold. First, there is the problem of conception. In the wake of turning cash management goal oriented, the concept retained as such with regard to "cash" is not in harmony with the objective. If cash management, among other functions, has to strengthen the 'flow of funds from operations' in public enterprises then it should not only embrace into its fold the management of cash volume but also the management of inventories, debtors, loans and advances, and current income. A constant watch on these fronts must result in continuous improvements in the rate of return on capital employed. Second, there is the problem of the non-existence of a suitable organisation.

integrated authority

The responsibility of controlling cash, inventories, receivables and current income is not in the hands of an integrated authority in public enterprises. Thus there is a clear need of setting up an integrated authority for the management of cash under the overall control of the respective finance divisions of public enterprises. Such an authority should have quite a high status in the finance divisions. This would solve the third and locational problem of cash management in public enterprises. Fourth, there are the procedural problems in the way of an effective and efficient management of cash in public enterprises.

In the effort to plan and control cash, public enterprises have not been preparing monthly, weekly and daily cash flow forecasts as also the programme-cum-performance report of cash flows for these durations. Moreover, the existing arrangements in connection with financial sanctions and delegation, and decentralisation of authority are such that demands get automatically inflated. It would, therefore, be in the fitness of things that the procedural set-up for cash planning and control is systematised and the tendency to equip lower and middle management personnel with more financial powers is encouraged.

To conclude, the effective and efficient management of cash provides an important clue to making capital employed in public enterprises productive. The study of dimensions, process and problems of cash management pertaining to public enterprises has, however, shown that much remains to be done to exploit this tool to optimise the rate of return on capital employed in these concerns.

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The Himalaya: its hidden treasures

J. Swaminath, Sankarsan Roy and Dhurjati Mukherjee

The existence of limitless wealth below the Himalayan ranges has been suspected for a long time. The authors point to the possibility of discovering numerous kinds of minerals in this area. This subject came up for discussion in the Himalayan Geology Seminar held in the capital from September 13 to 17, 1976.

THAT GREAT mountain range which has powerfully impressed the minds of millions and lured the pioneering spirit of man in quest of the unknown—be it philosophical, geographical or geological — continues to attract even today geologists, surveyors, mountaineers and pilgrims from all over the world. This historic alluring mountain range happens to be the Himalaya, the youngest but the highest range in the world with thirty peaks rising to average heights of 24,000 feet (7,300 metres) above sea level. Apart from its geographical and geological importance, the Himalaya has generated among the inhabitants of the surrounding valleys a deep and real sense of oneness.

part of history

"The Himalayas", Jawaharlal Nehru had said, "are not only near to us, but also very dear; for they have always been part of our history and tradition, our thinking and our poetry, our worship and our devotion ... According to mythology, they are the abode of the gods". 'Hima' in Sanskrit means snow and 'alaya' the abode, thus the Himalaya is rightly christened as the abode of snow— the abode of eternal peace and tranquility.

Forming the northern border of the Indian subcontinent and an almost impassable barrier between it and the lands to the north, the ranges are a part of the great mountain belt stretching half round the world from northern Africa to to the east coast of Asia. The Himalaya stretches uninterruptedly for about 1,550 miles (2,500 kilometres) from west to east between Nanga Parbat in Jammu and Kashmir and Namcha Barwa in Tibet. Between these extremities lie Nepal and Bhutan, though India has sovereignty over most of the Himalaya. Although the mountain chains comprising the Himalaya are barren and inhospitable, three of the world's principal rivers—the Indus, the Brahmaputra and the Ganga—originate in them and are fed by glaciers.

major glaciers

The major glaciers are 25 to 50 km long and up to 1000 m or more thick. In contrast, many of the valley glaciers in other parts of the world are puny little ice streams. Since these glaciers nourish the rivers of the Himalaya, systematic scientific investigations are being conducted by the Geological Survey of India in the major glaciers of Kashmir, Himachal Pradesh and Uttar Pradesh.

The great rivers originating from these glaciers have created the plains flanking the Himalaya towards the south and a climatic condition ideally suited for human existence. The great barrier of the Himalaya resists the cold north wind and induces the monsoon precipitation, which has made the plains fertile. Thus, this great mountain range has sustained one of the oldest civilisations of the world, giving rise to the "Aryavarta" of the Aryans and influenced the religion, culture and economy of the people—indeed their entire outlook towards life.

As such, it is but natural that over the years there has been continuous investigations and scientists have braved many hazards to understand why the mountains are, where they are, what stuff they are made of, how they are formed, what relationship they bear with other mountain chains, what useful mineral resources they contain etc.

Although expeditions with the objective of scientific exploration were started at the beginning of the last century, the Himalayan ranges have known an ancient traffic of migrants, invaders, traders and missionaries since time immemorial. The Aryans found a passage through the impassable range, Alexander led his army over it and others, i.e. Sakas, Huns, Pathans and Moghuls followed. Buddhism travelled to Tibet and China across this mountain.

Expeditions for survey and exploration of the mountain peaks started in the 19th century. Charles Crawford surveyed Nepal from 1801 to 1803 and was the first to announce the great height of the snowy range. N.S. Webb's explorations led to the discovery of the source of the Ganga. Then a series of explorations resulted in the discovery of the great peaks. The Great Trigonometrical Survey was conducted under the supervision of the Surveyor General, George Everest and the Mount Everest was discovered in 1865. The credit of its discovery, however, goes to Radhanath Sikdar, an Indian surveyor of Survey of India.

spur to adventure

The exploration conducted by the survey parties inspired many adventures to mountaineering expeditions. Although leading part was taken by European explorers and mountaineers in organising such expeditions till Independence, the part played by Indians in making these expeditions successful deserves special mention. They helped the parties as porters, guides, survey staff, bearers and surveyors. The first ascent made on the Mount Everest on June 3, 1953 was by Tenzing Norgay, who was the leader of the porters' (Sherpa) party together with Sir Edmund Hillary.

The conquest of Everest by an Indian

inspired Indians to mountaineering expeditions. Followed by the foundation of the Himalayan Mountaineering Institute, a number of Indian mountaineering parties started climbing difficult peaks and exploring unkown regions in the Himalaya. The Indian mountaineering efforts culminated in the ascent of the Mt. Everest by an Indian team led by M.S. Kohli. C.P. Vohra, a geologist of the Geological Survey of India was in this team and he was the first geologist in the world to climb to the top of the earth.

Scientific exploration for the hidden resources of the Himalaya accompanied the mountaineering efforts. Tempo of such exploration increased manifold after Independence under the leadership of Indian scientists.

basic document

Although it has been a very arduous task for Indian scientists to carry on work in the Himalayas, even in times of highly indifferent weather, the basic documentation in respect of geology and stratigraphy is available today. And for this, the efforts of the Geological Survey of India principally, and of the Oil and Natural Gas Commission, the Wadia Institute of Himalayan Geology and similar institutions merit attention.

The accumulation of sedimentary rocks, some of which have been found to be 1200 to 1800 million years old, their uplift and subsequent denundation and this cycle being repeated over eras, eventually gave rise to this mighty mountain range. The rocks of varying groups of different ages in the Himalaya, during the mountain building processes have been folded and faulted and stacked one above the other as 'thrust sheets' and investigations are going on as to their original sites of deposition to understand the processes that have contributed to the building of the Himalayan edifice. There are many theories — one group considers that the forces horizontally from the north have stacked one system of rocks over the others, while another believes that forces vertical rather than horizontal have been the prime mover in the build-up of the Himalaya.

One of the puzzles in Himalayan geology has been that in certain parts, like the Jutogh peak near Simla, the so-called oldest rocks are found right at the top or at levels far higher than rocks much younger, according to scientific calculations. The dislocations of rocks have been frequently manifested through earthquakes and from a study of earthquakes in the Himalayan region, it can be known which of these dislocations are still active along which replays are likely.

Coming to the question of the mineral resources of the Himalaya, one has to admit that it is only in the post-independence period that systematic and sustained approach has been organised for assessing the mineral resources and potentials of this 700,000 sq km mountainous terrain. Many unknown mineral bearing areas in the Himalaya were closely examined for their economic potential and slowly but steadily geological domains with different mineral occurrences came to be recognised. It has been found that there are fuel, non-metallic and metallic deposits in the Himalaya.

search for oil

Oil and gas seepages in the sub-Himalayan region have prompted the earth scientists to search for oil in the Himalaya. Impersistent coal seams are known in eastern and western Himalaya, and their utilisation in thermal plants, where there is shortage of fuel, is being explored. Among the non-metallic deposits, reserves of limestones and dolomites are inexhaustible, whereas superior quality gypsum and phosphorite have been found in abundance. Economically promising deposits of magnesite have been delineated. Important among the metallic mineral deposits are gold, copper, lead, zinc etc. Moreover, precious and semi-precious stones have also been found.

The tempo of search for minerals has increased manifold during the last decade. A number of expeditions have been organised recently with the objective of locating unknown resources of minerals. This increased tempo of activity has resulted in discovery of workable deposits of copper, lead and zinc and promising indications of nickel and cobalt.

The possibilities of oil in the Himalaya are not very bright, though investigations were prompted by a few gas shows like the Jwalamukhi or southward continuation of favourable source rocks to the Ganga valley in the south. Exposed ancient and transformed rocks of the main Himalayan range are also largely considered unsuited locales for hydrocarbon. But possible existence of oil-bearing marine rocks below the cover of the older transformed rocks, as reasoned by some geologists, is of scientific interest and economic significance.

As important as the mineral resources are the resources of geothermal energy lying hidden in the south-western Himalaya. The ever-increasing demand for energy resources has forced the nation to look for an alternative source of energy for future requirement. Among the new sources of energy under consideration, geothermal energy is the most likely candidate for fruitful exploitation to meet this challenge. It is basically the energy that is related to heat contents of the earth, which generally increases with depth normally at the rate of 30°C per kilometre. At certain places on the surface of the earth, the geothermal gradient is considerably higher than the normal.* These areas are called the "geothermal areas" from where geothermal energy could be exploited.

Ladakh exploration

In the geothermal areas located in north-western region of the Himalaya exploration is being carried out at Puga (Ladakh) and Manikaran-Bashist region (Himachal Pradesh) with the objective of tapping the hidden geothermal resources.

The importance of the Himalaya is being realised and further investigations are being carried out in different terrains. The unknown is unravelling its mysteries and hidden treasures, and within a few years, the prophetic vision of the philosophers and ascetics regarding the existence of limitless wealth lying hidden within the bosom of the mysterious mountains become a reality.

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*Here the ground-water gets hea gushes out as hot springs.

Announcement regarding issue of Rs. 15 crores 6¼% debentures (1992) at 97
applied for issue and allotment of further debentures of Rs. 1.50 crores and guaranteed

This is not a prospectus. Persons interested in details may obtain copies of the

THE INDUSTRIAL CREDIT AND INVESTM

(Incorporated on January 5, 1955 under

Registered Office : 163, Backbay
Regional Offices · 20, Old Court House Street, Calcutta 700 001. • 1, Cenotaph Road, Mad

EXISTING AND PROPOSED ACTIVITIES :

The Company was incorporated on January 5, 1955 with the object of carrying on the business of assisting industrial enterprises in India, more particularly described in its Memorandum of Association.

The Debentures are being issued for the purpose of augmenting the resources of the Company to meet the demands of industry for financial assistance and to meet the other needs of the Company.

BOARD OF DIRECTORS :

H. T. Parekh (Chairman)
J. S. Raj (Vice-Chairman)
K. K. Birla
D. P. Goenka
N. A. Palkhivala
L. J Mulkern
N. M. Wagle
M. V. Sohonie
R. V. Raman
M. G. Balasubramanian (Government Director)
M. Sen Sarma
M. D. McWilliam
M. V. Arunachalam
S. S. Mehta, (Managing Director)
Phiroze B. Medhora (Joint Managing Director. On deputation to the International Bank for Reconstruction & Development, Washington D.C., U.S.A.)
J. M. Ahrens (Alternate Director to L. J. Mulkern)
N. H. Green (Alternate Director to M.D. McWilliam)

SHARE CAPITAL :

(as on June 30, 1976)

	Rs.	Rs.
Authorised:		
15,00,000 Equity Shares of Rs. 100 each		15,00,00,000
10,00,000 Unclassified Shares of Rs. 100 each		10,00,00,000
25,00,000		25,00,00,000
Issued and Subscribed:		
15,00,000 Equity Shares of Rs. 100 each issued for payment in cash	15,00,00,000	
Paid-up:		
15,00,000 Equity Shares of Rs. 100 each	15,00,00,000	
Less: Calls in arrears	8,300	
		14,99,91,700

PRESENT ISSUE : 15,00,00,000

30,000 Debentures (1992) of Rs. 5,000 each at 97.50% (i.e. Rs. 4,875 each) with a right to retain excess subscription money up to 10% of the Issue to be applied for issue and allotment of further 3,000 debentures.

Interest at the rate of 6¼ per cent per annum (subject to deduction of tax at source) will be payable half-yearly on October 15 and April 15 except that interest will accrue on the Debentures allotted from the date of receipt of the application, and accordingly, the initial proportionate payment of interest will be made on April 15, 1977.

with a right to retain excess subscription up to 10% of the Issue to be
egards repayment of principal and payment of interest by the Government of India.

ectus from the Registered Office or the Regional Offices of the Company.

NT CORPORATION OF INDIA LIMITED

ndian Companies Act VII of 1913)

amation, Bombay 400 020.
00 018 • Hindustan Times House, 18-20, Kasturba Gandhi Marg, New Delhi-110 001.

OVERNMENT GUARANTEE :

he Debentures, now being issued, are guaranteed by the Government of India as to the repayment of the principal and the ayment of the interest thereon at 6¼%. The Debentures will not, however, entail any charge on the assets or the ndertaking of the Company.

he Debentures will be considered as approved security under the provisions of the Indian Trusts Act 1882, the nsurance Act 1938 and the Banking Regulation Act 1949.

The Debentures shall be redeemed at par on October 15,1992.

The Company shall have the right to purchase Debentures from the open market and the same can be reissued during the unexpired period of the Debentures.

he principal moneys of the Debentures to be issued hereunder and the interest accrued thereon shall rank for payment, rom and out of the funds of the Company:

ter all the foreign currency loans with interest thereon, both present and future, except the 8% Bonds (1977-88) for Swiss Francs 8 million;

ii) *pari passu* with all the rupee term loans, both present and future, and the Debenture issues previously made with interest thereon and the Debentures to be issued hereafter with interest thereon (except the interest free special advance of Rs. 400 lacs from the Government of India, which ranks after the share capital of the Company) as also the said Bond Issue of Swiss Francs 8 million referred to above;

uch payment will be without affecting the rights of the holders of the 8% Bonds (1977-88) for Swiss Francs 8 million; he holders of Rs. 13.75 crores 6¼% (1990) Debentures, the holders of Rs. 13.75 crores 6¼% (1991) Debentures, and the olders of the present issue of Debentures to take recourse to the Guarantee of the Government of India issued in their favour.

At any meeting of the debenure holders, each voter shall on a show of hands be entitled to one vote only and at a poll he shall be entitled to one vote in respect of every principal sum of Rs. 5,000 of the Debenture in respect of which he is entitled to vote.

n the event of over-subscription, allotment to shareholders of the Company who apply for Debentures will be considered n preferential basis to meet the requirements of the listing agreement with the Stock Exchange, Bombay.

ATES OF THE OPENING AND CLOSING OF THE SUBSCRIPTION LIST :

he Subscription List will open at the commencement of banking hours on Thursday, Septemper 23, 1976 and will close at the lose of banking hours on Tuesday, September 28, 1976 or earlier at the discretion of the Directors but not earlier than the lose of banking hours on Saturday, September 25, 1976.

PROSPECTUS AND APPLICATION FORMS :

Application must be for one or more Debentures and should be forwarded to the Registered Office of the Company together with the payment at the rate of 97.50% of the nominal value of the Debenture i.e. Rs. 4,875 per Debenture. However, for the sake of convenience, applications together with the necessary payment would be accepted by the Central Bank of India at its main offices at Bombay, Bangalore, Ahmedabad, Calcutta, Hyderabad, Indore, Madras and New Delhi.

Application Forms along with copies of the Prospectus can be obtained from the Registered Office and the Regional Offices of the Company.

ADROIT-727

Is climate out of joint?

E. B. Brook
Vienna

The recent drought in parts of Europe and the USA has brought about extensive hardship. It is being increasingly felt that weather is a global problem. There is already talk in official circles in west European capitals of drawing up an international treaty to test the "behaviour of climate" and to draw up a voluntary code of "good climatic behaviour".

WINDOW ON THE WORLD

DESPITE ELECTIONS continuing currency feebleness and record heights in unemployment the determining element in much of west Europe's economy for some time to come will be the drought. The last week of August saw some most welcome rain, heavy in places, and some of the scorched grass is beginning to have a green tinge. But agriculture in west Europe and in Britain is now suffering acutely from the effects of the drought. In places industry is also affected and some factories are expected to close if there is not substantial rainfall before the end of November.

Milk output has dropped throughout north-eastern Europe to its lowest level for 10 years; although there is no prospect of a milk shortage supplies for dairy purposes will be low. Those in Brussels who in recent years have had to deal with butter and cheese "mountains" may heave a sigh of relief but to householders the sighs will be caused by higher milk prices. Hundreds of acres of pastures in Britain, the Benelux countries and northern France will have to be re-seeded. Farmers will soon be demanding a devaluation of the Green Pound, the representative rate used for fixing Common Market prices in terms of national currencies. Not least of the causes for this demand will be the cost of transport to farmers of feed and water for livestock. The water shortage varies in intensity; a few areas have received nearly 80 per cent of a 30-year average rainfall, many others are well below 50 per cent and some as low as 35 per cent.

One compensating benefit of the long drought this summer is that it has helped many in western Europe to realize that weather is a global problem and that many, particularly in parts of Asia and Africa, endure for months or permanently the same or worse climatic conditions as north-western Europe had this year. But because it has occured in western Europe the drought is not taken as a matter of course but as evidence that the climate generally is out of joint. There has even been talk in official circles in west European capitals of the possibility of an international treaty to cover experiments seeking to test the behaviour of the climate and then to draw up a voluntary code of "good climatic behaviour" combined with provisions for coping with future climatic crises.

To those to whom droughts are a frequent or even permanent condition there may be something a trifle sourly amusing about this sudden west European concern over the weather and man's tinkering with it. But the increasingly dry weather over the last five years in many areas which are globally grain-producing reveal that there is much more to droughts in Europe and the USA than local discomfort. Grain reserves are falling and prospects for increasing the land area under cultivation are made more uncertain as the watertable sinks. Fresh and river water is in diminishing supply and even some sea levels are sinking. Since the days are long past when populations could move in search of water and because populations grow steadily, there is sense in increasing international knowledge and information about climate and in avoiding activities which might prejudice others' essential well-being.

anxious Americans

The Americans are particularly anxious to hold something akin to an international conference on drought to include representatives from all governments. One official US report comes to the conclusion that difficult weather will last for at least 40 years and that some wheat areas in the USA and in the USSR may dry out. Americans, unlike the west Europeans, are still close enough to their dust-bowl disaster of 1934, when many of the plains states of the USA lost their dry topsoil, to realize vividly what a real drought can mean, that millions of acres of wheat can be lost in a windstorm and that lack of water can be a domestic tragedy as well as a national disaster.

The day is approaching for the third sale of gold by the International Mone-

Britain's National Output

Britain's national output will continue to rise at a reasonable rate over the next 18 months, with most of the momentum coming from exports, industrial stockbuilding and, in 1977, private fixed industrial investment, says the independent National Institute for Economic and Social Research (NIESR) in its latest quarterly survey published recently.

The recovery will be marked by an "unusually high" growth in manufacturing outout relative to economic output as a whole, and associated with a "substantial recovery in profits" made possible by revisions of the government's price control.

Britain's external payments deficit, says the NIESR forecast, will start to narrow early next year and will be moving back towards zero in early 1978. The country's annual inflation rate should be "just into single figures" by the end of 1977, the Institute believes. This would be helped by an expected slowdown in the depreciation of sterling, which is expected to level off in the second half of next year.

tary Fund in Basle. The prospect, and rumours that the sale may be postponed, are causing some price fluctuations in the bullion market. At the first two sales in June and July the price of gold fell. At the June auction a price of 126 dollars a troy ounce was realized; at the second auction in mid-July the price was only 122.5 dollars. There is now talk of only 100 dollars for a troy ounce. This is a matter of concern to the IMF, to the gold producing countries and, not least, to the less prosperous of industrially developing countries for whose benefit the sales are being held. It is possible that on September 15 the IMF will accept this still lower price rather than, at the last moment, abandon the sales programme. But, once this third sale is out of the way, the IMF, which does not have to accept any price, appears almost certain to make changes.

For once, the economic interests of developing countries, who stand to lose in assistance from the IMF if the price of gold sold falls significantly, with those of South Africa, a major producer of gold and which, despite its industrial prosperity, has serious payment problems. South Africa's current account deficit is curently running at more than $ 2,000 m.

Althought South Africa, which offers over 700 metric tons of gold for sale annually wants to hold back now at this time of uncommonly low prices it cannot afford to wait long and will soon resume its pressure to sell gold. The Soviet Union, which has offered less than 150 metric tons this year, appears able to hold its gold more easily than South Africa and can be relied on to use stop-go tactice at its own convenience. With a good harvest which Mr Brezhnev claims is sufficient to free the Soviet Union this year, Moscow will be relieved of the pressure it has experienced in the last four years to sell gold in order to buy grain abroad. The problem for the IMF is how to balance sales of its gold holdings without running risk of fairly serious loss owing to South African pressure, the inscrutibility of Moscow and the opposition of the French who see with dismay the value of their very considerable gold reserves likely to shrink to something approaching one-third.

Both Britain and France continue to be west Europe's most troubled states. The French franc recovered a trifle last week but France, now with a new prime minister, remains an economically sick country troubled with the prospect of municipal elections next year which may reveal uncomfortable Socialist-Communist strength. Unemployment remains high in France, a factor which puts the trade unions rather than the government in a difficult position since union members in France are highly individualistic, consider that the unions exist for their benefit with a duty to keep them in gainful employment or in receipt of very satisfactory compensation payments.

Britain, althoguth it has brought the rate of its inflation down in 11 months from 26.9 per cent to 11 per cent· sees no prospect of lowering it further. It continues to have the world's largest invisible earnings after the USA and has the second largest invisibles surplus but it has 1,256,500 totally out of work and the expectation of having 1.3 m of them workless by the first quarter of next year. There is prospect of four per cent rise in national output next year and of five per cent rise in 1978 but reserves of gold and foreign currencies fell in August by 6.3 per cent or £192m. The most reassuring fact is that, despite the fall in reserves to help the pound, Britain has not needed to draw on its stand-by facility, a fact which impresses many.

A bouquet of facts

The main feature of the world's economic activity in 1974 are detailed in the latest issue ef the United Nations Statistical Yearbook, 1975. One of the most comprehensive of UN publications the Yearbook contains data on the world, its regions and on countries. It provides information on population trends, national product and income, agricultural and industrial production, energy, world trade and transport finance, consumption, housing, education and culture.

Among the facts revealed in the UN Statistical Year Book, 1975, are the following :

World Gross Domestic Product increased by four per cent.

World industrial production also expanded by four per cent. Centrally planned economies increased production by nine per cent, as did developing market economies. Developed market economies did not expand their industrial production.

World agricultural output per capita in 1974 was slightly lower than in 1973.

World production of wheat and maize was less by five per cent each and rise by one per cent compared with the 1973 level.

World energy consumption increased by only 0.5 per cent, considerably less than in 1973 when the figure was 5.8 per cent.

World export of goods in 1974 reached $848,700 million, a 45 per cent increase over 1973.

Export prices of developed market economies increased by 12 per cent, the prices of exports from developing countries grew only four per cent.

The world's population in mid-1974 was estimated to be 3,890 million, an increase of 280 million in the four years since mid-1970.

During this four year period, the world's population has been increasing at an average annual rate of 1.9 per cent. The overall average conceals widely divergent situations. For example, the population in northern Europe increased at a rate of only 0.4 per cent per annum during the period but some areas of Latin America had an average annual increase of 3.3 per cent.

The mid-1974 estimates of the world's population, its distribution and annual rate of increase are given in table (p 582).

Levels of fertility and mortality also

vary widely among the countries or areas of the world. For example, the lowest crude birth rates in the world currently are reported for Norfolk Island, Christmas Island, the Federal Republic of Germany, the German Democratic Republic and Luxembourg with 9.5, 10.1, 10.1, 10.6 and 11.1 births per 1,000 population, respectively. On the other hand, birth rates in the forties are not uncommon in countries in Africa, Asia and Latin America and in some cases these rates are as high as fifty and over.

infant mortality

The six countries or areas with the lowest infant mortality rates (deaths of infants under one year of age per 1,000 live births) are San Marina (9.2), Sweden (9.6), Finland (10.1), Norway, (10.5) the Netherlands (11.3) and Japan (11.3). By contrast, many countries or areas in Africa and some in Asia have infant mortality rates of between one and two hundred, and in a few countries or areas rates in excess of 200. Another indicator of mortality—life expectancy at birth—ranges from an estimate of less than 40 years in a few African and Asian countries or areas, to over 77 years for females in Norway and Sweden.

The total volume of production of all kinds of goods and services, excluding the services of general government and of private organizations, in 1974 was 23 per cent higher than in 1970. For the same period, the market economies expanded 22 per cent while the centrally planned economies increased by 28 per cent over the 1970 level of production of material goods and services.

The expansion in total goods and services for the market economies over the period 1970-74 was made up of a 15 per cent rise in the developed market economies and a 28 per cent expansion in the developing market economies. The developing economies registered an increase of 16 per cent in per capita output over the period 1970-74, compared with an increase of 11 per cent for the developed countries. The closest comparable figure for the countries of eastern Europe and the Soviet Union was 24 per cent, referring to per capita output in net material product.

The growth rate of total production, excluding the services of general government and of private organizations, for the world as a whole (excluding the People's Republic of China, Mongolia, the Democratic People's Republic of Korea and Democratic Republic of Viet Nam) was 4.0 per cent in 1974. The market economies registered a growth rate of 0.4 per cent in 1974 divided into 0.6 per cent for the developed market economics and six per cent for the developing market economies. The closest comparable rate for the countries in eastern Europe and the Soviet Union was 6.3 per cent.

industrial production

World industrial production (i.e. output of mining, manufacturing, electricity, gas and water) continued to grow in 1974, despite the recession in the United States, Japan, Federal Republic of Germany and a number of developed countries during the period.

The production index for the world was 127 in 1974 (1970 taken as 100), up from the 1973 figure of 122. This indicates that industrial output of the world expanded by four per cent in 1974, reflecting increases of nine per cent for the centrally planned economies and two per cent for the market economies. The two per cent increase resulted completely from the rise of nine per cent in the developing countries since the output of the developed countries barely reached its level of 1973 and no increase was achieved in 1974.

As for the individual branches of industry, the index numbers reveal that the increase in the world output was attributed primarily to rise of six per cent in the metal products industries, five per cent in the food, beverage and tobacco industries and five per cent in the output of chemicals, petroleum and coal products.

Among the major industrial countries, the percentage increase or decrease in each country's output in 1974 compared with 1973 is listed as follows : the Soviet Union eight; Italy five; France 2.5; the United States,—1; Federal Republic of Germany,—2; Japan,—2 and the United Kingdom,—4.

cereal crops

The world crops of main cereals in 1974 showed a decrease following the record crops harvested in 1973. The output of oats in 1974 declined by six per cent, wheat and maize by five per cent each and rice by one per cent. Substantial reduction was registered in the output of soybeans and potatoes. Production of

Mid-1974 Estimates of World Population, Distribution and Annual Rate of Increase

	Population in millions	Percentage of world total	Average annual rate of growth (in per cent) 1970-1974
World	3890	100	1.9
Africa	391	10.0	2.7
Northern America	235	6.0	0.9
Latin America	315	8.1	2.7
Asia	2206	56.7	2.1
Europe	470	12.1	0.6
Oceania	21	0.5	2.0
Soviet Union	252	6.5	0.9

coffee, cocoa, tobacco, meat and milk was higher than the 1973 level.

World wheat production in 1974 was 359,831,000 metric tons, a decrease of five per cent over the 1973 bumper crop. Among the largest producers the Federal Republic of Germany showed an increase of nine per cent in production over the 1973 figure, France six per cent and the United States five per cent. Wheat production in 1974 declined in the USSR (24 per cent), Canada (19 per cent), India (11 per cent) and Argentina (9 per cent). World agricultural output per capita in 1974 was registered slightly lower than in 1973.

All sources of energy are compared in the *Yearbook* in terms of their equivalent in metric tons of coal with detailed information on energy production and consumption for approximately 200 countries and areas.

The world total energy consumption increased by only 0.5 per cent in 1974, a rate of increase considerably less than in the previous year of 5.8 per cent. The rates of increase for 1974 of consumption of solid fuels and natural gas were 0.4 and 2.7 per cent respectively while consumption of liquid fuels decreased by 0.9 per cent.

dominant oil

Oil dominates the world energy balance; in 1974 liquid fuels met 45 per cent of the world's fuel requirements, solid fuels 32 per cent, natural gas 21 per cent and primary electricity two per cent.

In 1974, the United States consumed 11.5 metric tons of coal equivalent per capita, making it the leading consumer of energy. Canada was next, consuming 9.8 metric tons per person, followed by Czechoslovakia 7.0; German Democratic Republic 6.9; Belgium, 6.6; the Netherlands 6.2; Australia, 6.0: Sweden, 5.8; United Kingdom, 5.5; the USSR, 5.3; Iceland and Denmark, 5.1, But most countries still average consume considerably less than the world average of 2.1 metric tons of coal equivalent per capita.

In 1974, 33 per cent of the world's energy was consumed in North America, 30 per cent in the centrally planned economies and 19 per cent in western Europe.

There are considerable continental differences in the energy consumption pattern. For western Europe, 57 per cent of all energy consumed was derived from liquid fuels, 24 per cent from solid fuels and 15 per cent from natural gas. In North America natural gas accounted for 33 per cent, liquid fuels 45 per cent and solid fuels 20 per cent, while in the Far East 64 per cent of all commercial energy consumed was from liquid fuels, 28 per cent from coal and only five per cent from natural gas.

rise in coal production

World mining of coal and lignite combined in 1974 exceeded the 1973 level by 1.3 per cent, while the output of crude petroleum and natural gas was higher by 0.6 and two per cent, respectively.

In 1974, the Middle East accounted for 38 per cent of world petroleum production, North America 20 per cent and centrally planned economies 19 per cent.

World crude steel production in 1974 exceeded 704 million metric tons, an increase of two per cent over 1973. The annual growth in 1973 was 10 per cent when compared with 1972.

The tonnage of merchant vessels launched in 1974 increased by 10 per cent, and tankers by 37 per cent. In Japan, where half of the world's merchant vessels were built the total increase was 12 per cent and for tankers 40 per cent.

Manufacturing of passenger cars in 1974 decreased by 13 per cent. Among the major producing countries the following percentage decreases in manufacturing of passenger cars were registered; the United States, 24; the Federal Republic of Germany, 22; Japan and the United Kingdom, 12 each; Italy, 11 and France, 5.

The data in the *Statistical Yearbook* reveal that world exports in 1974 totalled US $848,700 million, a 45 per cent growth over the 1973 figure.

World exports in 1975 reached US-$880,000 million, an increase of only five per cent over the 1974 level. Developed market economy countries underwent a six per cent growth and centrally planned economies a 21 per cent growth in export value, while developing market economy countries experienced a decrease of approximately five per cent in the value of their exports over the same period. In contrast to the previous year, when increases in petroleum prices contributed to a substantial increases of the share of the OPEC countries in total world exports, in 1975 small adjustments in posted prices and a decline in the volume of crude petroleum traded contributed to the reduction of the share of the OPEC countries in total world exports from 15 per cent in 1974 to 13 per cent in 1975. The comparable figures for developing market economy countries overall showed a decline from 26 to 24 per cent of the total.

As far as prices are concerned, export prices of the developed market economy countries, comprising mainly manufactured goods, increased by 12 per cent. By comparison export prices of the developing countries increased by only four per cent, reflecting the decline in the price of a majority of raw materials, which was offset by small increases in the prices of petroleum and minerals.

transport sector

Railway Traffic : World railway traffic continued its growth and in 1974 reached 5,964 thousand million net ton-kilometres, an increase of four per cent over 1973.

Merchant Shipping : The world merchant shipping fleets in 1974 increased by 10 per cent, the world tanker fleets, which account for 44 per cent of total merchant fleets contributed 16 per cent to its increase. Liberia, Japan, the United Kingdom and Norway are the largest owners of merchant shipping fleets.

Civil Aviation : 423 million passengers were carried by civil aviation in 1974 and 17 thousand million freight ton-kilometres were flown, an increase of five and nine per cent respectively over 1973. In 1973 these figures were 10 and 18 per cent respectively.

Tourist Travel : According to statistics reported by the countries in 1974 there was an overall decrease in tourist trade. The largest number of tourist or visitor arrivals in 1974 was in the following countries (in thousands) : Spain, 30,343; German Democratic Republic, 15,229; the United States, 14,123; Canada, 13,759; Italy, 12,442; Czechoslovakia, 11,786; Austria, 10,886; France, 9,838; United Kingdom, 7,935; Poland, 7,893; Belgium, 7,477; Federal Republic of Germany 6,951.

Courtesy:—UN Centre for Economic and Social Information.

A bumpy ride to world prosperity

Dr Amar Nath Dutta

While the economies of the developed countries have staged a recovery in the current year, they are plagued by uncomfortable unemployment and fears of inflation. The world economy, in the view of the author, is in a state of flux; he is of the opinion that growth in 1976-77 will be relatively modest and unemployment will be slow to decline.

AT THE Rambouillet Conference, the world's six big industrial nations got together to square up the major riddlers of inflation, recession and the energy crisis. Though achievements fell short of expectations, the course of action chalked out by the participants had some bearing on the issues involved. At the beginning of 1976, the world economy looked in better shape than it had midway in 1975. But the factors which made the latest downturn different from the post-War recession now appear to behave in a significantly different way in expediting the process of recovery. The shifts in economic balance are already evident. The oil producing countries are keen on having more for their product and this has a major impact on the shaping of economic events. It is just not a coincidence that there has been a belated recognition of the evils of recession reconciling governments and peoples to a measure of present diversity in preference to a real crash later. The real question for 1976 and thereafter is how long this chastened mood will last?

sombre scene

In contrast to the economic scene in 1976, the backdrop was evidently sombre. In fiscal 1974, the upheaval in global economic relationship was characterised by accelerated rise in prices of both goods and primary commodities, hikes in petroleum prices which were both spectacular and substantial, and a coincidence of food and fertilisers shortages. The year 1975 was haunted by the spectre of a deepening recession and rapid inflation in the industrialised countries, a further rise in fuel prices and worsening terms of trade on the part of the developing nations.

The world economy in 1976 has set in for recovery although a modest one, since on all indications recession appears to have bottomed and a reflationary potential in the industrial nations is very much on the cards. America and Japan have led the way where economic recovery has been considerably faster than the revival activity in Europe. Europe's lag can be partly attributed to the relative moderation of its original downturn, with inventory cycles having played less of a role. In fact, the US real Gross National Product (GNP) growth was very strong in the second half of 1975 and the unabated buoyancy is queuing up the revival process very fast.

towards recovery

Preliminary government estimates now project an annual growth rate in GNP of well under five per cent for the second quarter of the year, following three-quarter of expansion at an impressive annual rate of 8.4 per cent. But it is doubtful whether the American economy, moving towards expanding its recovery base will be able to sustain the present rate of recovery. In Japan, a moderate recovery is quite under way and the OECD estimates are that the Gross Domestic Product (GDP) would rise by about five per cent between the second halves of 1975 and 1976. This forecast is based on the assumption that the existing government policies are maintained.

A controlled process of recovery has thus began and hopeful symptoms predict a rise in demand and production it the industrial nations. But what is worring (and perhaps more important) in that unemployment has gained phenomenal heights while inflationary potentials threaten further gallops. The ILO report in this regard makes a disquiet reading as 'striking increases in unemployment were the outstanding features of 1975, in 75 per cent of the industrial nations under review. The number of jobless doubled in New Zealand, Switzerland and Luxembourg, increased by more than half in Belgium, Chile, Portugal, Spain and Britain and up to 50 per cent in Australia, Austria, France, Denmark, Japan, Norway, Puerto Rico, South Africa and Zambia.

mounting unemployment

In Britain it crossed one-million mark in July last year for the first time since 1940 and W. Germany had more than a million unemployed for the first time in 20 years. Unemployment rose noticeably but less than 30 per cent in the United States, Canada, West Germany, Greece, Holland and Yugoslavia. Such a disproportionate rise in unemployment as portrayed in the ILO report confirms that 'measures using higher unemployment to stem inflation were a conspicuous failure'.

The OECD estimates are fully illustrative of the deteriorating job positions in-so-far as member-countries are concerned. In the USA the unemployment rate was as high as 8.4 per cent in the third quarter of 1975 against 5.5 per cent in the year before. Such figures related to the unemployed labour force ranged from 7.2 per cent in the case of Canada to 4.9 per cent in West Germany, 4.2 per cent in the UK, four per cent in France, 3.2 per cent in Italy and 1.9 per cent in Japan. While Denmark had the highest rate of unemployment to the tune of 12 per cent during the third quarter of 1975 as against the corresponding period of 1974, the position of Japan and Sweden was quite comfortable in that these countries avoided any further increase in unemployment during the period (Table I).

It is here that a basic postulate correlating unemployment and inflation stands scrutiny. For most of the post-war period governments tailored their demand management policies to square up with inflation and balance of payments problems and they were successful in preventing unemployment returning to intolerably high levels. When unemployment at home was more pressing, demand was expanded. But boosts to home demand created balance of payments problems and the shortage of capacity and labour led to price and wage increase. To stabilise the situation, the brakes were applied. The result was thus a stop-go cycle. At each 'stop', the level of employment needed to act as a cushion against inflation and foreign trade deficit eventually became higher and at each 'go' the magnitude of trade deficit and the rate of inflation accelerated.

The correlation of inflation and unemployment continued to remain a major instrument of policy in many countries towards stabilising cyclical fluctuations and the demand management policy was suitably fashioned to use. In technical jargon, it is what the monetarists call the Phillips Relation which postulates 'a stable empirical trade-off relationship between the rate of inflation and the rate of unemployment, on which the policy making authorities can choose an optimal position' based on a cost-benefit analysis of their collective utility functions.

If the policy is to keep the unemployment rate below the natural rate, the trade-off between inflation and unemployment will shift continually upward, a lever for the monetary authorities to opt for more inflation. If, on the other hand, a certain degree of inflation is allowed consistent with an initial unemployment target, a rational consumer behaviour will assert itself and unemployment will gradually rise to a level where prices would tend to become stable after a period. But the simple mechanism fails to work in the long run for costs and benefits would continue to flow in the reverse direction or both sides will remain constant.

The process of economic recovery thus raises the two important and contradictory policy issues—growing inflation and rising unemployment and the major riddler of defining a suitable policy approach. An unprecedented increase in the unit labour cost has made the problem all the more perplexing in character. The US economy is perhaps in a comparatively secure position because of its cautious policy approach. The Fed. and a large body of the non-Fed. economists believe that the 'underlying' inflation rate is now five to six per cent. This figure is derived mainly from the prospective rise in unit labour costs—compensation rising at a rate of about eight per cent while productivity, after a typical burst associated with the recovery, is likely to rise by about two to three per cent. The situation is evidently worse

TABLE I

Unemployment Rates in Selected OECD Countries

(Percentage of civilian labour force)

	Average		Peak 1955-73	1974				1975			Average of latest 3 months
	1962	1973		I	II	III	IV	I	II	III	
Canada	5.3	7.9	June '58	5.1	5.3	5.3	5.3	5.6	7.2	7.2	7.2
United States	4.9	7.5	July '58	5.2	5.1	5.5	6.6	8.4	8.9	8.4	8.4
Japan	1.3	1.9	Oct. '55	1.3	1.2	1.4	1.7	1.7	1.8	1.9	1.9
France	1.8	2.4	Sept. '72	2.0	2.0	2.2	2.8	3.3	3.8	4.0	4.0
West Germany*	1.3	4.9	March '55	2.1	2.3	2.6	3.6	4.6	4.9	4.9	4.9
Italy	3.6	5.5	April '59†	2.7	2.7	2.9	3.1	2.7	3.7	3.4	—
UK**	2.4	3.9	April '72	2.4	2.4	2.6	2.7	3.1	3.6	4.2	4.6
Australia	1.6	3.0	Sept. '61	1.5	1.4	2.1	3.5	4.2	4.6	5.0	5.1
Belgium%	2.1	4.0	Feb. '59	2.3	2.4	2.7	3.1	3.5	4.2	4.8	5.0
Denmark	3.7	11.9	Dec. '57††	2.3	3.9	5.9	9.0	11.1	11.2	12.0	13.5
Finland	2.4	5.0	Jan. '68	1.6	1.7	1.9	1.7	1.4	2.0	—	2.3
Netherlands%	1.3	2.4	Nov. '72	2.6	2.6	2.9	3.2	3.6	4.0	4.3	4.4
Norway%	0.9	2.1	Dec. '58	0.6	0.6	0.7	0.6	0.7	1.1	1.3	1.4
Sweden	2.1	2.9	Nov. '71	2.2	2.1	2.0	1.7	1.5	1.8	1.6	1.6

Source: OECD Report, 1975-76

Notes: *As per cent of dependent labour force. †Peak in period 1959-73 **For Great Britain as per cent of total employees, both employed and unemployed. %Registered unemployed. ††Peak in period 1957-73.

in other OECD countries. In Japan, the unit labour costs rose by 100 per cent between 1970 and 1974. During the same period, such increases were for West Germany 90 per cent, France 59 per cent, Belgium 84 per cent, the UK 47 per cent, Italy 57 per cent and Switzerland 92 per cent. With higher labour pressures for pursuing strong expansionary policies, it is not unlikely that inflation might make its appearance in 1977.

But this becomes all the more risky because the budget deficit usually leads to an excessive expansion in money supply and thereby an accelerated inflation. Wage demands are pitched high and with a new set of expectations built into the system, the rates of inflation at every 'stop' remain successively higher. As the time span gets prolonged to feed cost inflation in an effort to create more employment, the ultimate level of unemployment needed to cure inflation will go up at every level. Branding the post-War Keynesianism as largely responsible for erratic management of the economy the monetarists suggest the government permitting each year a 'fixed throttle' increase in the money supply commensurate with increases in productive capacity. For instance, a four per cent to five per cent annual increase in money supply matched against a 2½ per cent to three per cent annual rise in productivity may keep the system flexible and immune from the risks of inflation.

That this has actually happened is quite evident from the disparities in domestic price movements in developed countries. While most of the industrialised nations are reflating their economies as an anti-prologue to recession, inflation is rapidly accelerating to newer heights. As a result, the consumers' level is being gradually overheated. With its cautious recovery approach, the rise in consumers' level is quite moderate in the USA as opposed to western European countries where the upswing is quite predictive of future spurts. There are two other factors that set the trend on an uneasy path. First, the situation will definitely deteriorate if capacitylimitations consequent upon insufficient capital investment engenders production constraints at an early stage of the current upswing, thus exacerbating the international liquidity on top of surging inflation. Second, the fresh wave of currency appreciation amidst growing uncertainties in the international market could well give rise to the preponderance of new cycles and thus make the situation more confusing by altering the cost-price parities of goods and primary commodities. (Table II)

The world economy is in a state of flux and unlike following a mere cyclical process has picked up certain traits unique to itself but difficult to reason out by the conventional tools of monetary and public policy. One is that manufacturing employment in major EEC nations has been either flat or declining since 1970, despite the rapid strides recorded during 1970-73. The fact that industrial expansion by itself is insufficient to provide a large number of jobs is typified by the phenomenal rise in unemployment experienced in 1974-75. This also reflects an underlying change in employment pattern which was delayed by the boom conditions of the early 1970s. It is uncertain how strange the political pressures to reduce unemployment may be as the current recovery gathers steam.

The transition to a period of relatively high unemployment may be difficult for the European policy makers now riddled with a serious problem of inflation. Because of heightened sensitivity to inflation any excess demand will show up in price rises quickly than in the past and the governments may feel frustrated by renewed inflationary pressures in their attempt to reduce unemployment levels.

It is this consideration that makes the immediate ongoings crucial. Economic policy in most countries during the past two years was focussed on trying to stem inflation with policy-makers unwilling to take strong action to move out of recession. However, solid growth has resumed in a few countries, most visibly the US and Japan and a more broadly based recovery seems to be under way. Excess demand is not such problem but inflation is still formidable. In the opinion of experts, the stop-go machanism because of its more bumpy and uneven ride has proved to be of doubtful empirical validity and therefore needs a reshuffle. The consequent policy action implies that growth in 1976-77 will be relatively modest corresponding to the present stage of the business cycle and unemployment will be slow to decline.

TABLE II

Consumer Prices in Selected Major Industrial Countries

(Percentage changes seasonally adjusted)

Country	1949-53	1954-59	1960-65	1966-69	1970	1971	1972	1973	1974	1975-I	1975-III	1976-II*
Canada	3.4	1.6	1.6	4.1	3.4	2.9	4.8	7.6	10.9	10.6	9.0	9.5
United States	2.4	1.4	1.3	3.9	5.9	4.3	3.3	6.2	11.0	6.3	7.0	7.0
Japan	9.1	1·6	5.9	5.0	7.2	6.3	4.8	11.8	22·7	11.3	8.8	9.5
France	11.3	4.3	3.7	4.0	5.2	5.5	5.9	7.3	13.6	11.6	9.3	11.5
West Germany	0.4	1.6	2.6	2.3	3.7	5.3	5.5	6.9	7.0	5.8	5.3	4.5
Italy	3.1	2.2	4.5	3.4	4.9	4.8	5.7	10.8	19.1	16.9	9.0	11.0
United Kingdom	5.8	2.7	3.1	4.1	6.4	9.4	7.1	9.1	15.9	13.6	22.0	14.5

*Estimates.

Source : IMF and OECD Estimates

TRADE WINDS

Royalty on Indigenous Crude

THE UNION government has increased the rate of royalty payable in respect of crude oil and casing head oil produced in the country from the current Rs 15 per tonne to Rs 42 per tonne. The royalty rate has been enhanced since September 8, 1976, following representations of the governments of Assam and Gujarat who pressed for an increase on the ground that there had been steep rises in the world prices of crude oil since November 1973.

Earlier the rate of royalty had been revised under an award given by the prime minister in October 1972. At that time the rate had been increased from Rs 10 per tonne to Rs 15 per tonne. While fixing the royalty rate at that time, the prime minister's award had also made the new rate applicable upto March 31, 1979. However, in view of the representations of the governments of Assam and Gujarat, the matter was reviewed and a new rate now fixed.

The rate of royalty of Rs 15 per tonne, now revised, had not been fixed as a percentage of the sale price of crude but had been based on an agreement arrived at with the government of Gujarat and Assam, more or less on an *ad hoc* basis. However, on the two occasion prior to that the rate of royalty had been determined as a percentage of the price of the crude. The prime minister's award of 1962 adopted 10 per cent of the actual selling price of crude as the basis for fixing royalty at Rs 7.50 per tonne. The prime minister's award of 1968 which increased the royalty rate from Rs 7.50 per tonne to Rs 10 per tonne was also on the basis of 10 per cent of the price payable for indigenous crude at that time.

The newly introduced rate of Rs 42 per tonne actually works out to more than 10 per cent of the selling price of indigenous crude. This would help Gujarat recover its losses on account of the recent amendment of the Central Sales Tax Act, 1956 which restricts the state governments in the matter of sals tax and under which the rate of sales tax on crude oil now cannot exceed four per cent. Prior to amendment of the Act, Gujarat levied a sales tax on crude oil at the rate of eight per cent ad-valorum. In Assam, sales tax was on volumetric basis and was levied at one paise per litre which worked out to four per cent ad-valorum.

Indigenous Crude Price

The government has fixed the price payable to producers of indigenous crude oil at Rs 36.64 per barrel. On this basis the price of crude works out to about Rs 275 per tonne. Assuming the base price to be Rs 300 per tonne, (inclusive of some transportation charges) the sales tax would work out to Rs 24 per tonne in Gujarat and less than Rs 12 per tonne in Assam. Following amendment of the Sales Tax Act there will now be parity between the states of Assam and Gujarat in the matter of sales tax. There will also be parity between the two states in the rates of royalty on crude oil which is now fixed at Rs 42 per tonne. The present on-shore production of crude oil in the country is a little more than eight million tonnes divided more or less equally between Assam and Gujarat. As a result of enhanced rate of royalty Gujarat is expected to earn on current production an additional revenue of Rs 6 crores and Assam Rs 11 crores.

Textile Excise Relief

The government announced on September 9, 1976, the extension of the special excise duty relief scheme to some items of textile industry. Under the scheme which was announced by the Finance minister, Mr C. Subramaniam, while presenting this year's budget, excise relief is given to the extent of 25 per cent of the duty payable on goods produced in excess of production in a selected base year. The concession has already been extended to 44 items. The items of textile industry to which the scheme has now been extended are staple fibre and tow of both cellulosic and non-cellulosic origin, rayon and nylon tyre cord yarn and wool tops. The basic-material for nylon, caprolactum, has already been covered by the scheme as announced on June 17, 1976. The special scheme for excise relief is intended to boost production in farms and factories.

Soda Ash Capacity

The soda ash capacity in the country is expected to go up to 1,071,000 tonnes from the present 63,000 tonnes when new units are commissioned at Tarapore (Maharashtra), Haldia (West Bengal) and Tuticorin (Tamil Nadu) and the existing units at Mithapur (Gujarat) and Porbandar (Gujarat) are substantially expanded. There are at present four soda ash units in production at Mithapur, Porbandar, Dhrangadhra and Varanasi with the total installed capacity of 632,600 tonnes. During 1975 these units produced 541,000 tonnes of soda ash. The fifth Plan target of capacity is fixed at 1.1 million tonnes. It is expected that by the end of the Plan period 438,000 tonnes of additional capacity would be available bringing the total to 1.07 million tonnes. Soda ash is an important heavy inorganic chemical used as raw material in the manufacture of glass, glassware, sodium silicate, paper and pulp, textiles and bicromates etc. It is also used as washing material.

Credit Policy

The Reserve Bank of India has further tightened its credit policy by imposing a virtual ceiling on credit expansion in the current financial year and impounding a part of the lendable resources of banks. The policy, intended to control strictly the monetary liquidity in the economy as part of its anti-inflationary measures through regulating the lendable resources of banks, was announced on September 11, by the RBI Governor, Mr K. R. Puri, at his meeting with chief executives of major banks in Bombay.

The announcement makes a major departure from the tradition in that credit policy is formulated on an annual basis—in line with the objective of perspective credit planning—and subjected to review every quarter. In view of this, Mr Puri said the conventional way of looking at the credit situation on the basis of seasonality—busy season extending from Novem-

ber to April and slack season from May to October—"is no longer meaningful".

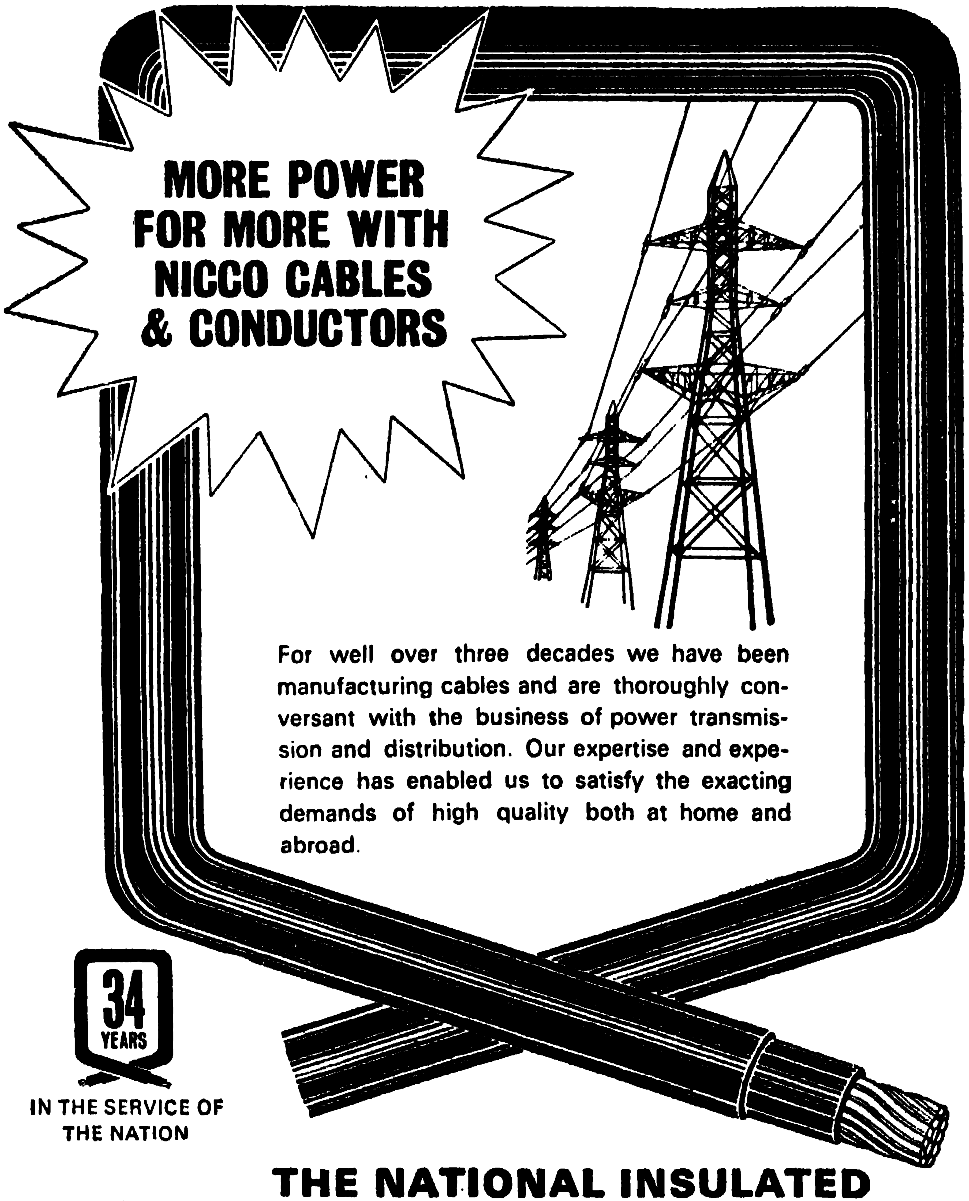
The following are the highlights of the policy : (1) Commercial bank should limit their credit expansion (other than for public food procurement and imported fertiliser transactions) during the current financial year to approximately the same order of expansion as in 1975-76, i e. a growth of Rs 2,100 crores in the current year against Rs 2,048 crores in 1975-76. (2) Restricting with effect from November 1, 1976 the refinance available to banks on account of food procurement credit. It is stipulated that there will be no refinance up to Rs 1,000 crores (against 66-1/3 per cent hitherto) would be provided. (3) While keeping unchanged the basic refinance facilities - one per cent of demand and time liabilites plus 10 per cent on internal bills, which together work out currently to about Rs 300 crores --it is stipulated that all additional requirements of refinance and rediscount will be provided "on a strictly discretionary basis after a review of (bank's) credit budgets "

Public Sector Banks

Public sector banks increased their gross profits to Rs 30.69 crores in 1975 from Rs 29.20 crores in 1974, according to an official review published recently. In the case of 14 nationalised banks, the profits at Rs 23.24 crores against Rs 22.98 crores in 1974 declined as a percentage of working funds from 0.28 in 1974 to 0.24 in 1975. This is attributed to the rate of increase in expenditure being higher than rate of rise in income.

According to the Department of Revenue and Banking, the profit position of these banks has to be viewed in the context of the overall expansion of their activities and coverage over the last five years. The new offices opened by public sector banks in rural, semi-urban and hitherto unbanked centres will take some more time to break even. Further, the banks have made available credit facilities to weaker sections of the society at low rates of interest. Banks have also taken up several development activities which involve sizable addition to staff, cost of training, expenses over a much larger number of advances and lower returns.

The income of all the public sector banks increased by Rs 263.33 crores in 1975, against Rs 286.11 crores in 1974. The expenditure showed an increase of Rs 260.89 crores against Rs 281.06 crores



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in 1974. The review of the working of public sector banks during 1975 says that 1629 new offices were opened during the the year. The total deposits of public sector banks increased from Rs 9,632 crores at the end of December 1974 to Rs 11,488 crores at the end of December 1975.

Vacant Lands for Industrial Purposes

The ministry of Works and Housing, has issued guidelines to the state governments for dealing with applications for exemption of vacant land held for industrial purposes. The guidelines lay down that every person holding vacant land in excess of the ceiling limit should file a statement under Section 6 of the Act to the competent authority and make an application to the state government for exempting land required for industry, for its present use, for establishment of ancillary units connected with the industry, for future expansion etc.

Delegation for Australia and New Zealand

A five-member trade delegation sponsored by the Engineering Export Promotion Council left for Australia and New Zealand recently. The team was led by Dr B. V. Bhoota, former chairman of EEPC. The other members were Mr M. A. Sujan, chairman of EEPC (western region), Mr N. P. S. Shinh (New Delhi), Mr M. Ramaswamy (Madras) and Mr V. Kumar, secretary of EEPC. The delegation proposes to explore possibilities of export of select engineering goods, particularly, machine tools, diesel engines and parts, electronic components, auto ancillaries, castings and forging. The possibilities for undertaking turn-key projects and sub-contracting in third countries, and joint ventures would also be explored. The total import of engineering goods into Australia has been of the order of Rs 3,749 crores. India's share has been only Rs 6 crores in 1975-76. Similarly, import of engineering goods into New Zealand in 1974-75 amounted to Rs 491 crores against which India's share was Rs 2 crore. The visit of the delegation was timed with the annual Australian International Engineering Exhibition in Sydney from September 13 to 18.

Engineering Export Prospects

A study of engineering export trends completed by the Association of Indian Engineering Industry (AIEI) based on response from 114 select engineering exporters indicates optimistic prospects. As many as 61 per cent of the respondents expect improved export prospects during April 1976—March 1977 as against 34 per cent expressing this in October 1975 for the period October 1975—September 1976. Similarly only six per cent are pessimistic about export prospects during 1976-77 as compared to 25 per cent in the previous period. Value of export deliveries are also expected to be higher in the six months ending September 1976 according to 67 per cent of the respondents as compared to 38 per cent reporting this for the period October 1975—March 1976.

The average prices at which export orders are booked are however expected to be steady during the six months ending September 1976 according to 60 per cent of the respondents. Nearly 21 per cent forecast an improvement in average prices of export orders during April-September 1976 against 12 per cent reporting this in the six months ending March 1976.

Trade Mission for Poland

A 10-man delegation consisting of industrialists and representatives of the public sector undertakings, headed by the Indo-Polish Chamber of Commerce & Industry (IPCCI) president, Mr H. P. Nanda is leaving for Poland on October 2 and will be in Poland till October 10. The purpose of the mission is to explore avenues for introducing a wide range of non-traditional items including hand tools, builder's hardware, sanitary fittings, steel cutlery with plastic handles, kitchenwares, handicrafts and jewellery, electrical appliances for domestic use, machine tools, aluminium cables, carpets jute products like carpets, backings and possibly bags, marine products, plastic products, stationery, animal feed compounds etc.

The delegation will study and explore possibilities for importing a number of items like power generation equipment, sophisticated mining equipment, shipping auxiliaries etc. The trade mission will also hold talks for identifying the fields for setting up joint ventures in India and in third countries as envisaged in the comprehensive June 7 trade protocol. The protocol has identified areas like chemical industries, fish processing plants, building materials, electronics and telecommunication equipment for the purpose of industrial cooperation amongst the two countries. India and Poland have consistently endeavoured to strengthen their trade relations for over thirty years now. The rupee-payment arrangement between the two has been helpful in enlarging our export-import volume during the years.

Coal Production & Productivity

The Central Coalfields Limited (CCL), a subsidiary of Coal India Limited, has registered 20 per cent increase in productivity during the last two years. The output per man shift (OMS) which was .63

G. D. Birla Forecasts Hopeful Times

Speaking at a reception given in his honour by the Bangalore Stock Exchange, Mr. G D. Birla stated that India would become the most powerful country in Asia within the next 10 years. There was stability in the government, there was right thinking and whether at the centre or in the states all wanted the country to march forward, he pointed out. After the emergency there was industrial peace and the gheraos and morchas, which were dreaded, had disappeared. Inflation had been checked and the foreign exchange position was satisfactory, he said.

Mr Birla pointed out that the reduction in wealth tax and income-tax announced in the last budget had encouraged production and new investment. The clarifications on bonus shares and the lifting of the restrictions on dividend had further improved the climate for investment enormously. The Bombay Stock Exchange was bouyant and there was a scarcity of scrips. Although the return was not very attractive, scrips were being picked up. He further stated that the slogan of self-reliance had created a situation in which every thing would be produced in India.

tonnes in 1973-74 rose to .76 tonnes in 1975-76. The production of raw coal during the last two years has risen from 15.5 million tonnes to 20.7 million tonnes showing an increase of 33 per cent. The production of washed coal during the same period has increased by 40 per cent. In 1975-76, production was 3.17 million tonnes against 2.25 million tonnes in 1973-74. The increase in production has been achieved without any addition to the company's work force. The coal production during April to July this year was 6.345 million tonnes showing an increase of 227,000 tonnes over that of the same period last year. The production of washed coal during the same period this year has gone up by 149,000 tonnes.

Sugar Output

According to the Indian Sugar Mills Association, the sugar production in the month of July 1976, the tenth month of the season 1975-76 was about 8,000 tonnes as against 14,030 tonnes during the corresponding period last season. This brings the total production during the first ten months of the season 1975-76 to about 4,236.000 tonnes as against 4,763,000 tonnes during the corresponding period last year. The off-take of sugar from factories during the month of July, 1976, was about 289,000 tonnes for internal consumption and 57,000 tonnes for exports as against about 368,000 tonnes for internal consumption and 83,000 tonnes for exports last season. The total despatches in the first ten months in 1975-76 was 2,961,000 tonnes for internal consumption and 933,000 tonnes for export as against 2,817,000 tonnes for internal consumption and 685,000 tonnes for exports during the corresponding period last season. The total closing stock of sugar with the factories as on July 31,1976, was about 1,549,000 tonnes as agaiest 2,089,000 tonnes on the same date last season.

Name in the News

Mr. K.L.Puri has taken over as Chairman Central Electricity Authority under the ministry of Energy. Mr Puri was with the Bharat Heavy Electricals Ltd where he has served in various capacities. He was the General Manager of Hardwar division and his last appointment in the Bharat Heavy Electricals was that of the Executive Director.

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COMPANY AFFAIRS

Birla Cotton

The Birla Cotton Spinning and Weaving Mills Ltd has suffered a set-back in its working the year ended March 31, 1976. The performance of the textile mills at Delhi was adversely affected as a result of continued demand recession and heavy losses in the manufacture of controlled cloth and increase in prices of some inputs, However, efforts are being made to improve the working of the mills and reduce costs wherever possible. The scheme involving substantial capital expenditure for overhauling and rehabilitating machinery and equipment has already been undertaken with a view to improve the working of the mills.

Demand Recession

The Chenab textile mills was also affected due to frequent power cuts and demand recession and consequent fall in the prices of staple yarn. There has been delay in the completion of the expansion of the mills on account of delay in sanctioning of loans by the financial institutions. Meanwhile some of the spindles installed under the expansion programme have already started production.

During the year under review the company suceeded in pushing up further the sales of its products overseas to the tune of one crore of rupees. The exports prospects during the current year, however, are not encouraging.

The working of the company during 1975-76 has resulted in a loss of Rs 12.43 lakh and hence the directors have not declared any dividend for the year.

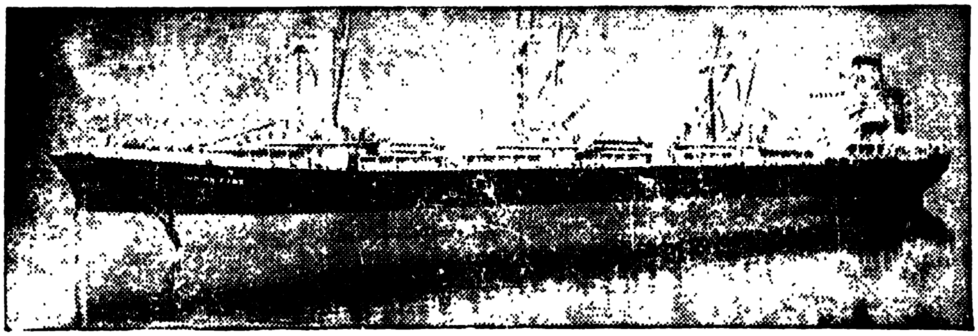
Mysore Cements

Mysore Cements Ltd has reported commendable progress during the year ended June 30, 1976. Sales during the year were higher at Rs 12.31 crores as against Rs 10.16 crores in 1974-75 while the profit earned during the year amounted to Rs 135.29 lakhs as compared to Rs 112.71 lakhs in the preceding year. Out of the profit a sum of Rs 4.00 lakhs was transferred to investment allowance reserve, Rs 68.29 lakhs to geneal reserve and Rs 63.00 lakhs for meeting tax liabilities. The directors have stepped the equity dividend from 12.5 per cent to 15 per cent. The recommended dividend will absorb Rs 26.99 lakhs and will be paid out of the general reserve. Production of clinker rose from 3.47 lakh tonnes to 3.87 lakh tonnes and that of cement from 3.71 lakh tonnes to 4.34 lakh tonnes. Although production has improved, the full capacity of the plant brought about by modification and installation of balancing equipments, could not be utilised on account of the 10 per cent power cut which continued up to March 1976.

The profitability, although better, has not increased correspondingly with the sales, on account of the steep rise in the manufacturing expenses during the year. The price increase which was due from July 1, 1975, and granted to the industry only from October 1, 1975, did not neutralise the increase in the manufacturing costs completely owing to the fact that as per the recommendation of the Tariff Commission, the freight increase on the movement of coal is compensated only up to a maximum distance of 975 kms which is the all-India average, but in the case of the company, it works out to be 1750 kms. The delay of three months in the announcement of the new price also caused a loss of Rs 19.96 lakhs to the company.

Increasing Production

In order to utilise the extra built-in capacity of certain departments, the company, as per the feasibility report prepared by Birla Consultants, has decided to instal a clinker manufacturing unit to increase the capacity of the plant by one lakh tonnes per annum. This project, when completed by May-June 1977, would bring in all-round economy in the



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manufacturing cost and improve further the profitability of the company.

Seshasayee Paper

Satisfactory progress has been reported by Sashasayee Paper and Boards Ltd., during the year ended March 31, 1976. Production of paper and boards moved up to 31,964 tonnes from 29,495 tonnes in the preceding year. The production during the year would have been still higher but for the massive power cut ranging between 40 per cent 85 per cent during April-June 1975. Sales during the period under review was marginally lower at 29,190 tonnes as compared to 29,729 tonnes in 1974-75. The drop in sales was due to decline in demand caused by the general recession that prevailed in the economy. This apart, the allottees under the Paper (Control of production) Order 1974 have failed to fulfil their offtake resulting in a large increase in inventories in most of the mills in the country. These factors have contributed a sizeable downward trend in prices. In the circumstances the company was compelled to effect price reduction and grant of rebates on certain varieties of paper.

Lower Profits

The profit margins were seriously eroded during the year because of lower price realisations and also due to all-round escalation in operating costs. The profit after providing for the depreciation amounted to Rs 227.25 lakhs and after meeting tax liability the disposal surplus amounted to Rs 85.25 lakhs. Out of this, Rs 2.20 lakhs was transferred to special reserve and Rs 20.00 lakhs to general reserve. The directors have recommended a dividend of 12 per cent on the enlarged capital of Rs 5.25 lakhs. This will absorb Rs 63.00 lakhs, leaving a balance of Rs 0.05 lakhs. After adding the balance brought forward from the previous year, the sum of Rs 0.63 lakhs has been carried forward to the next year's account.

The company's expansion project to increase the annual installed capacity of paper and boards by 20,000 tonnes to 55,000 tonnes is progressing according to schedule. Firm orders have been placed for major items of machinery and equipment.

Mohan Meakin

Mohan Meakin Breweries' sales at Rs 34.02 crores during the year ended March 31, 1976 were the same as that of 1974-75, but the profit before tax recorded a steep decline from Rs 2.78 crores to Rs 1.42 crores. The fall in profit is attributed to cost escalations beyond the control of the company on the one hand and sluggish demand on the other. To keep the machines fully occupied and promote sales of company's products, aggressive sales promotion schemes were undertaken including that of reduction in prices of certain products.

As an active participant in export promotion scheme of the government, the company almost doubled the export of its products, in comparison to previous year, despite worldwide recessionary trends and international competition. In the export of its products the company incurred losses as the incentives given by the government were not sufficient to offset the losses. Representations are being made to the government for allowing higher incentives so that losses may be minimised.

With the easing of recessionary trends the sales in the first quarter of the current year were higher by 33 per cent over the same period of last year. Hence significant improvements in working results are expected during the year 1976-77.

The directors have recommended an equity dividend of 12 per cent for 1975-76, the same as in 1974-75. It will absorb Rs 51.05 lakhs.

Simco Meters

Simco Meters has reported impressive improvements in its working result during the year ended March 31, 1976. Turnover went up to Rs 230.77 lakhs, an improvement of about Rs 44.77 lakhs over 1974-75. The turnover in meters increased from Rs 102 66 lakhs to Rs 140.28 lakhs while the turnover of products other than meters advanced to Rs 90.50 lakhs from Rs 83.86 lakhs in the preceding year. The order book position of the company is satisfactory and the company hopes to register further marked growth during the current year.

Impressive Results

The company's working durins 1975-76 has resulted in a surplus of Rs 22.31 lakhs out of which a sum of Rs 4.54 lakhs was appropriated to depreciation reserve, Rs 0.25 lakh to special reserve and Rs 8.50 lakhs for taxation, leaving a balance of Rs 9.02 lakhs. The directors have recommended a dividend of 12.5 per cent on equity shares and nine per cent on preference shares. The dividends, equity and preference, will absorb Rs 5.86 lakhs. The balance of Rs 3.16 lakhs has been transferred to general reserve No 1.

The company has manufactured indigenously the "ground starting aggregate" required by the defence authorities and hence received the National Award (Bronze Shield) for import substitution. The company has also received "NIF Escorts Research and Development Import Substitution Award".

Stewarts and Lloyds

The encouraging performance of Stewarts and Lloyds of India Ltd during 1975 has been highlighted by the chairman Mr S.L. Dass in his annual statement circulated to the shareholders of the company. Sales during the year rose to Rs 7.80 crores, registering an increase of 22 per cent over the preceding year while profit before taxation too recorded an appreciable rise to Rs 48.54 lakhs as against Rs 35.08 lakhs in the earlier year. The results are indeed gratifying because they were achieved during a period when industry as a whole and the engineering industry in particular was in the grip of a serious depression. Besides the company has started deriving benefits from its efforts directed towards greater sophistication both in its production and construction activities. Moreover, the company has successfully overcame its serious problem of liquidity but unfortunately several of its major clients continued to suffer from it, thus preventing them from proceeding with the execution of their projects. This coupled with the general recessionary conditions resulted in a drop in order bookings during the second half of the year. But for this the company's results might have been better.

Ramon & Demm

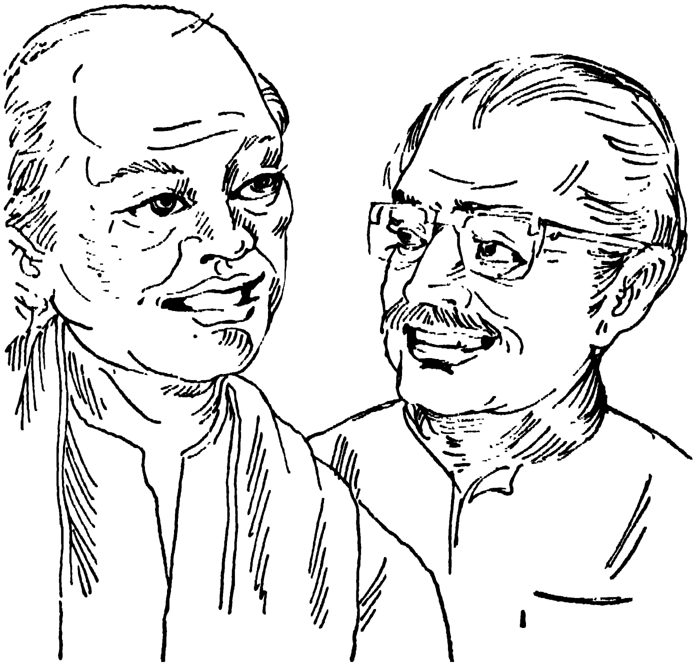
Sales of Ramon and Demm for the year 1975-76 were lower at Rs 3 crores as against Rs 3.35 crores in 1974-75 while production during the year 1975-76 declined to 784 tonnes from 1003 tonnes in the preceding year. During 1975-76 the company earned a gross profit of Rs 9 lakhs before making provision for depreciation as against gross loss of Rs 5 lakhs in the previous year. After allowing Rs 26 lakhs for depreciation there is a net loss of Rs 17 lakhs during the year. In 1974-75 the net loss amounted to Rs 34 lakhs after making provisions of Rs 29 lakhs for depreciation and development reserve. The recession and consequent under utilisation of capacity have adversely affected the working of the company during the year under review.

The company's expansion programme to increase its installed capacity for manufacture of gears is making satisfactory progress. All the machines required to be imported for the expansion project have already arrived. Most of the indigenous machinery have also been received at the factory site. It is expected that the expansion project will be completed soon and commercial production will commence by the end of the year.

News and Notes

Garware Nylons proposes to invest Rs 10 lakhs in the equity capital of Modern Nets Ltd, a company which has been set up recently. This company will undertake the manufacture of fishing nets from nylon high density polythylene and other plastic materials. It is expected that the government of Maharashtra will participate in this venture. Nylon yarn required by the new company will be supplied by Garware Nylons. The application for the issue of the necessary import licence is pending before the central government.

The Rs 5-crores expansion project of **Gujarat Alkalies and Chemicals Ltd** for doubling the capacity of its casutic soda/chlorine plant at Baroda has been approved by the government of India. The letter of intent in this regard has been granted for expansion of capacity in respect of manufacturing caustic soda, liquid chlorine as well as hydrochloric acid. The Rs 12-crores caustic soda/chlorine project now being implemented by Gujarat Alkalies and Chemicals Ltd in Baroda is a Gujarat state project sponsored by Gujarat Industrial Investment Corporation Limited. According to the original licence, the plant is now in the throes of starting trial run for production of 37,425 tonnes of caustic soda, 33,000 tonnes of chlorine and 15,000 tonnes of hydrochloric acid. The approval for doubling the capacity will allow expansion of caustic soda production up to 70,425 tonnes, production of liquid chlorine



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up to 64,000 tonnes and production of hydrochloric acid up to 29,000 tonnes.

"Yogakshema", the monthly magazine of the **Life Insurance Corporation of India** has been adjudged 'Magazine of the Year' by the Indian Association of Industrial Editors for their annual awards for the year 1975. It has also earned first prize in the category of External Magazines.

"Yogakshema" is the prestige publication of the LIC and has earned several distinctions in the past from different bodies such as All-India Printers' Conference, Commercial Artists' Guild, etc. It is the main organ for communication with the development force of the LIC over the country.

World Bank Credit

The World Bank has agreed to give another line of credit to IDBI amounting to $40 million for on lending to state financial corporations. Under this credit, the **Rajasthan Financial Corporation** (RFC) would grant loans to small and medium scale industrial projects for setting up new units as well as for expansion, diversification, modernisation etc of existing units in the state in cases where at least some portion of the loan is for financing import of equipment from abroad and/or for technical know-how etc in special cases.

The RFC would extend loans in rupees to cover the local costs and the estimated foreign exchange cost from Rs 10,000 to Rs 30 lakhs for a maximum period of 10 years at an interest rate of 11½ per cent per annum to small scale units covered under credit guarantee scheme, technician entrepreneurs and projects in backward areas. For others the rate of interest would be 12 per cent per annum. Under this line of credit, import licences are to be issued expeditiously.

Unlike the first IDA line of credit of $25 million, the projects with a capital cost in excess of Rs 1 crore would also now be eligible for assistance under this new World Bank credit. The RFC had sanctioned Rs 2.01 crores to 13 industrial units under first IDA line of credit including foreign exchange component of Rs 81 lakhs.

New Issues

Kulkarni-Black & Decker Ltd, promoted by Kulkarni Engineering Associates Private Ltd of Sangli and the Black & Decker Manufacturing Company of USA, is setting up a Rs 1.25 crore electric power tool factory at Shirol in Kolhapur district. The company's products will include a broad range of electric power tools such as drills, grinders, sanders, saws, etc.

Black & Decker are pioneers in the world power tool market having about 65 years' experience behind them. The Black & Decker group will provide know-how on a continuing basis to the company and assist it to market it's products abroad using Black & Decker worldwide marketing network. Besides Black & Decker is subscribing to the extent of 40 per cent in the equity share capital of the new company.

The design work of the project is completed and the preliminary work at factory site is already under way. The company is slated to go into commercial production by the last quarter of 1977. The company will have an equity capital of 50 lakh rupees and expects to enter the capital market shortly.

Capital and Bonus Issues

Consent has been granted to following companies to raise capital. The details are given below:

Mafatlal Industries Limited, Ahmedabad, has been accorded consent, at a premium of Rs 125 on a share of Rs 125. 37,730 shares shall be issued to equity shareholders, other than the shareholders belonging to the Mafatlal group on right basis and 47,706 shares shall be offered to the public by prospectus. The proceeds of the issue will be utilised for meeting a part of the finance for the expension programme of the company.

Needle Roller Bearing Co; Ltd. has been accorded consent, valid for six months, to capitalise Rs 20 lakhs out of the general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio on one bonus share for each equity share held.

Kay Iron Works Private Limited, Yamunanagar, has been accorded consent, valid for six months, to capitalies Rs 259,780 out of its general reserve and issue fully paid equity shares of Rs 10 each bonus shares in the ratio of one bonus share for each equity share held.

Chalan Engineering Corporation Limited, Tamil Nadu, a public limited government company registered in Tamil Nadu, has been granted consent valid for 18 months, for issue of convertible debentures of the value of Rs 10 lakhs to their employees for cash at par. The object of the issue is to implement the scheme of the government of Tamil Nadu for encouraging employees participating in the ownership of the corporation.

Carburettors Limited, Madras, has been accorded consent, valid for six months to capitalise Rs 102,100 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every equity share held.

Dividend

(Per cent)

Name of the company	Year ended		Equity dividend declared for	
			Current year	Previous year
Higher Dividend				
Bajaj Auto	June	30, '76	18.0*	12.0**
Teekoy Rubber (India) Ltd.	March	31, '76	12.0	10.0
Kil Kotagiri Tea & Coffee Estates	March	31, '76	12.0	7.0
Sutlej Cotton	March	31, '76	10.0	6.0
Same Dividend				
Ramon and Demm	March	31, '76	Nil	Nil
Kurchermala Plantations	March	31, '76	5.0	5.0
Kanoria Chemicals	March	31, '76	12.0	12.0
Reduced Dividend				
Laxmi Starch	March	31, '76	6.0£	12.0
Bajaj Electricals	March	31, '76	Nil	10.0
Poysha Indurtial Co.	March	31, '76	Nil	10.0

*15 Months ended June 30, 1976 **12 Months ended March 31, 1975 £ On the enlarged capital

RBI's review of economy and banking trends

RECORDS AND STATISTICS

Given below is the summary of the report of Central Board of Directors on the working of the Reserve Bank of India and trend and progress in Banking in the year ended June 1976.

Overall Assessment

The estimated growth of national income during the year 1975-76 (at 1960-61 prices was 5.5 per cent, against barely 0.2 per cent in 1974-75. The growth rate may in fact turn out to be somewhat higher. It was possible to put the economy back on its normal growth path in 1975-76, whereas in 1974-75 an element of normalcy was restored to an economy which had passed through an unusually high rate of inflation in the previous two years. Besides the overall high growth rate, the year was notable for price stability, a significant rise in the rates of domestic saving and investment, and a move towards the eventual emergence of a viable external payments position.

Containment of prices was an outstanding achievement. Not only were prices contained but there was actually a decline of 6.0 per cent in prices based on monthly averages. Domestic saving as a proportion of national income at current prices was higher at 14.5 per cent, against 13.1 per cent, and aggregate investment at 16.0 per cent, against 14.8 per cent in the previous year. In point of fact, these are the highest rates of saving and investment achieved since the begining of the fourth Plan. The overall external payments situation showed a remarkable improvement notwithstanding the persistence of a sizeable trade deficit for the second year in succession. There took place an unprecedented increase in the country's foreign exchange reserves. Taken together, these features suggest that 1975-76 has bequeathed an economy which can provide a strong base for sustaining growth in the remaining years of the fifth Plan. The declaration of internal emergency and the launching of the new Economic Programme have, by toning up economic adminisfration and ensuring effective implementation of specific time-bound programmes, contributed in no small measure to the growth of the economy.

Output Trends

Considered sectorally, growth in 1975-76 was rather uneven, being 8.0 per cent in agriculture and 5.7 per cent industry. Although climatic factors continue to dominate the trend of agricultural production—weather conditions were quite favourable during the year—the investment-induced growth component was quite significant in 1975-76. This is reflected in a substantial increase in the use of agricultural inputs like fertilisers, power and water. In industry, while core sector industries like coal, electricity, iron and steel, cement and nitrogenous fertilisers increased their production at rates above 10 per cent, industries like textiles and consumer durables recorded a decline in output. While input bottlenecks especially in the sphere of energy and raw materials no longer hampered industrial growth, slackness in demand emanating from both domestic and external factors began to affect some subsectors, even as in some subsectors problems of modernisation both of capital equipment and management began to assume greater importance.

Price Situation

The general trend of prices was downward, with a decline of 3.0 per cent over the year in wholesale prices, in contrast to the phenomental rise of 21.5 per cent in 1972-73 and 27.8 per cent in 1973-74 and a nominal rise of 0.7 per cent in 1974-75. This dramatic change was basically due to an improvement in the supply-demand balance, particularly in agricultural commodities; production of foodgrains touched a new record of 118 million tonnes (according to recent reports) and that of oilseeds also reached a new peak. The supply situation was buttressed by the continuation of monetary and fiscal policies aimed at demand management, on the one hand, and by administrative measures designed to curb hoarding and use of unaccounted money, on the other.

National Income, Saving and Investment

	1974-75	1975-76
National income (% growth at 1960-61 prices)	0.2	5.5
Domestic saving*	13.1	14.5
Inflow of foreign resources*	1.7	1.5
Aggregate investment*	14.8	16.0

*As % of national income at current prices.

Fiscal Policy

The policies of central and state governments were geared towards maintaining price stability while promoting growth. Efforts initiated in the previous year to mobilise resources were further reinforced. While total disbursements rose by 21.0 per cent or at about the same rate as in 1974-75, total receipts increased by 23.9 per cent as against the rise of 19.9 per cent during the previous year. The rise in receipts was the cumulative result of additional tax efforts, better tax administration, and success of the scheme of voluntary disclosure of income and wealth. Consequently, the combined budgetary deficit of Rs 468 crores was substantially lower than Rs 752 crores in 1974-75. In fact, sub-

Budgetary Position

(Central and state governmnets)

(Rs crores)

	1974-75	1975-76
Receipts	15,503	19,206
Disbursements	16,255	19,674
Of which: developmental expenditure	7,846	9,362
Net position	—752	—468

sequent data show that the combined deficit for 1975-76 was only Rs 351 crores.

Credit Policy

The basic anti-inflationary stance of credit policy remained unchanged, with the continuation of the existing structure of interest rates, fairly restrictive Reserve Bank acocmodation to banks, greater degree of discipline in the deployment of credit by commmercial banks, and implementation of credit guidelines designed to discourage speculative holding of inventories. At the same time, the anticipated enlargement of supplies, both agricultural and industrial, warranted introduction of some degree of flexibility. The approach to credit policy was therefore motivated by the objective of facilitating a higher rate of growth in the economy while maintaining the overall apparatus of monetary restraint largely intact. The various measures introduced during the year bear ample testimony to the degree of flexibility which it has been possible to impart to credit policy, without endangering price stability. These included :

- Financing by commercial banks of food procurement/stocking on an enormously larger scale (with the support of the Reserve Bank) as reflected in the total food credit of Rs 2,283 crores outstanding as on July 9, 1976.
- Enhancement of minimum limit for prior credit authorisation under the Credit Authorisation Scheme from Rs 1 crore to Rs 2 crores.
- Withdrawal of additional margins on book debts/inventories and levy of commitment charge on unutilised portion of cash credit limits.
- Liberalisation of inventory norms for industries such as jute, paper, automobile ancillaries and cotton spinning mills.
- Prescription of a ceiling on lending rates charged by commercial banks at 16.5 per cent (including tax on interest income) for bigger banks and 17.5 per cent for smaller banks.
- Advice to banks to provide larger term loans to industry for periods beyond three years at a rate not exceeding 15 per cent; effective April 1976, the ceiling rate fixed is 14 per cent for loans granted for periods not less than seven years.

The Reserve Bank endeavoured to further sharpen the methods and measures of credit planning with a view to bringing about a more meaningful correlation between the demand for and the supply of credit. Banks are now required to prepare quarterly credit budgets, as against the earlier practice of preparing annual or seasonal budgets.

Bank Credit

The impact of flexible approach is reflected in credit trends during 1975-76; scheduled commercial banks' credit expanded by Rs 2,509 crores (28.0 per cent) which was more than double the expansion of Rs 1,097 crores (14.0 per cent) in 1974-75. Although both food and non-food sectors shared the increase, the rise of Rs 1,390 crores in food credit was substantially larger than Rs 272 crores in the previous year; it accounted for as much as 55.7 per cent of the incremental expansion, against only 24.8 per cent in 1974-75. The credit-deposit ratio as on June 25, 1976 stood at 76.1 per cent, against 71.4 per cent a year ago. Excluding food credit, the ratio at 61.6 per cent was lower than 65.1 per cent a year ago.

Deposit Growth

In judging the magnitude of bank credit expansion in 1975-76, it is more important to underline that the banks' own resources expanded at a much faster rate. Total deposits increased by Rs 2,512 crores (20.0 per cent), against Rs 1,788 crores (16.6 per cent) in 1974-75; the increase in absolute terms in 1975-76 was the largest recorded so far.

Money Supply

The impact of the relatively larger expansion of bank credit is reflected in the rise of Rs 1.375 crores (11.3 per cent) in money supply with the public in 1975-76 which was no doubt significantly larger than Rs 737 crores (6.4 per cent) in 1974-75. But the comparison may not be appropriate, for the rate of money supply expansion had been restrained in 1974-75 within a narrow range due to special factors like the support derived from the IMF drawals. If compared with the average annual rate of expansion of 15 per cent during the three-year period 1971-72 to 1973-74. the rate of expansion in 1975-76 was considerably lower. More importantly, there was a qualitative difference in the character of money supply expansion: expansion in 1975-76 came about in the wake of an increase of 5.5 per cent in real national income, unlike expansion in the previous years with the sole excepension of 1973-74 which took place when national income was practically stagnant. An even more important qualitative difference lies in the factors responsible for expansion. First, the net foreign exchange assets of the banking sector recorded an unprecedented rise of Rs 969 crores as per monetary data. Secondly, the magnitude of bank credit expansion was much larger in 1975-76, bnt this could be explained largely in terms of food credit. Significantly, in view of the larger accretion of deposits, banks were able to finance credit expansion to a considerable extent from their own resources rather than by borrowings from the Reserve Bank. Consequently, the potential inflationary impact of this factor was moderated somewhat.

Money, Banking and Prices

(Rs in crores)

	June 1975	June 1976
Money Supply	12,187	13,562
Deposits	12,544	15,056
Credit	8,955	11,464
Credit-deposit ratio	71.4	76.1
Wholesale prices (1961-62=100)	311.0	301.8
Consumer prices (1960=100)	328	291

Exchange Reserves

The external sector of the economy presented in 1975-76, in refreshing contrast to the earlier years, distinct signs of strength. This strength manifested itself in an unprecedented rise of Rs 881 crores in foreign exchange reserves despite the persistent sizeable trade deficit. Exports rose by only 16 per cent, against 32 per cent in 1974-75. Although import growth at 11 per cent was also sizeably lower than 53 per cent, the trade deficit at

Rs 1,155 crores remained practically unchanged, at the previous year's level of Rs 1,189 crores. The rise in reserves was attributable primarily to larger inflow of aid and increased invisible receipts. Such improvement may have been due in large part to the plugging of foreign exchange leakages. If these indicators are any guide, one can hope for an improvement in India's balance of payments position in the long run.

Delinking of Rupee

An important landmark in the external sector was the delinking of the rupee from the pound sterling from September 25, 1975. The external value of the rupee since then is being determined in terms of a basket of currencies of countries which are India's major trading partners. The effect of this change has been to stabilise the value of the Indian rupee vis-a-vis currencies other than sterling and to increase the purchasing power of the rupee in terms of sterling. This has contributed to some extent to the stabilisation of prices, by preventing an increase in the prices of imported commodities and services.

Foreign Trade

(Rs in crores)

	1974-75	1975-76
Imports	4,520	5,018
Exports	3,331	3,863
Balance of trade	— 1,189	— 1,155
Foreign exchange reserves (end March)	793	1,674

The all-pervasive impact of the internal emergency and the 20-point Economic Programme on the economy is reflected in industrial harmony, reduction in both speculative hoarding and use of unaccounted money, raising of efficiency in administration in general and in public sector undertakings and in tax administration in particular, and strengthening of the reserves position consequent on anti-smuggling operations.

Assuming favourable weather conditions, it seems reasonable to expect a somewhat moderate growth in agricultural production. The factors taken into account in this context are, among others, the general improvement in the supply of inputs like fertilisers, power and quality seeds, the emphasis on irrigation in the 20-point Economic Programme, and an anticipated rise in private investment in view of the rise in agricultural incomes in 1975-76.

Investment Climate

The present state of the economy appears to provide suitable conditions for the absorption of higher doses of investment, without impairing price stability. The sizeable stocks of foodgrains already built up and the existing potential for increasing the production of textiles seem to guarantee adequate availability of wage-goods. The climate for ensuring larger investment in both public and private sectors has already been created with the central government taking the lead to step up Plan outlay in 1976-77 by 31.4 per cent.

The ability of the public sector to step up investment has greatly improved both because of the tightening of tax administration which might boost tax receipts and also because of the considerable scope for drawing on foreign reserves more freely than in the past. In addition, the government has recently taken a number of measures to boost private sector investment which include the reform of licensing, initially easing of restrictions on declaration of dividends, and finally removing the restriction altogether, and issue of bonus shares, liberalisation of import policy, and grant of tax incentives for increasing production in selected industries. Further, the central budget for 1976-77 had laid greater emphasis on rationalising the direct tax structure and increasing incentives for savings and investment. Although there is a time-lag between stimulation by the government and response to it by the private sector, it is reasonable to expect that private sector investment will tend to pick up in 1976-77, even as public investment is stepped up.

Production Trends in Agriculture and Industry

(Million tonnes)

	1974-75	1975-76
Agriculture		
Foodgrains	101.1	116.0
Rice	40.3	48.0
Wheat	24.2	28.0
Other foodgrains	36.6	40.0
Oilseeds	8.4	10.6
Sugarcane-gur	14.3	14.5
Cotton (million bales)	7.1	6.7
Jute (million bales)	5.8	5.8
	1974-75	1975
Industry		
Finished steel	4.9	5.6
Cement	14.3	16.2
Fertilisers	1.4	1.8
Cotton Cloth—mill (million metres)	4,316	4,079
Bicycles (millions)	2.5	2.2
Coal	86.9	98.7
Petroleum products	19.4	20.2
Electricity (million kwh)	68,212	75.517
Power transformers (000 KVA)	9,002	11,161
Diesel engines (thousands)	115	139

Capital Market

Although the capital market continues to remain sluggish, it is showing signs of revival: for instance, new capital issues by non-government public limited companies in 1975-76 (April-March) at Rs 93 crores were substantially larger than Rs 52 crores in 1974-75. Further, the size of support from term-lending institutions was also larger: both sanctions and disbursements of IDBI, ICICI and IRCI, which generally account for about two-thirds of the total financial assistance by term-lending institutions, were higher in 1975-76 by 33 per cent and 24 per cent, respectively, as compared with the previous year.

A major preoccupation of

economic policy in the coming year would be to revive industrial growth. Three planks of policy have been visualised for attaining this objective, namely, a sizeable step up in investment, correction of recessionary trends in sub-sectors affectet by slackness of demand, and promoting fuller capacity utilisation. The impact of all these measures may not be reflected immediately in the rate of industrial growth in 1976-77 itself, but what is important is to ensure greater expansion of the potential for industrial growth over a period.

Affected Industries

Some industries affected by slackness of domestic demand might stage a recovery, the taxtile industry being a case in point. Thanks to a sizeable increase in agricultural incomes in 1975-76, the rural demand for textiles may rise. Similarly, the reduction in rates of tax on income and wealth in the 1976-77 budget and the adjustments made recently in excise duties might perhaps re-suscitate the demand for consumer durables. Lastly, since there is expected to be a recovery, at any rate moderate, from the world recession, export demand for Indian industrial products might tend to pick up. Recently, an attempt has also been made to strengthen the existing framework of export incentives; measures taken in this context include additional cash incentives to many engineering goods and to some traditional products, increased import entitlements, reduction in export duty, and faster payment of cash assistance and duty drawback.

The picture of industrial growth prospects for 1976-77 is thus clear. On the one hand, it may not be possible to repeat the unusually high rates of increase in production achieved in 1975-76 by some core sector industries; on the other, the declining trend in production witnessed by some other industries might be reversed. Already there are indications that the pace of industrial growth has picked up: for instance, the index of industrial production during the first four months of 1976 was higher by as much as 11.5 per cent than the corresponding figure of 1975.

There are potential demand pressures which are likely to emerge in 1976-77 with their implications for monetary and credit policies. Of course, the objective of demand management continues to dominate both fiscal and monetary policies. This is reflected in the continuation of restrictionary credit policies, including interest rate policies, initiated in 1974-75. Similarly, in the fiscal sphere, the existing scheme of impounding of additional incomes through compulsory deposits both in relation to income-tax payers in higher brackets and to additional dearness allowance has been extended for another year. Further, it has been indicated that the amounts deposited after July 1976 would be credited along with intreest of 12.5 per cent to the provident fund of subscribers rather than paid in cash after the stipulated period.

Demand Management

Notwithstanding the continuation of these demand management measures, there are three clearly identifiable sources which may generate demand pressures: investment, de-impounding of deposits and the banking system. If investment, both public and private, records a jump in 1976-77 as anticipated, the supply-demand balance in terms of real resources would be under pressure. The second factor arises from the fact that the centre is expected to borrow from the Reserve Bank, besides the projected budget deficit of Rs 320 crores, a sum of Rs 480 crores against the impounded deposits referred to above. At the same time, cash repayments of deposits impounded in 1974-75 have commenced from July 1976 and the total amount of such repayments in 1976-77 would be about Rs 270 crores. This process of repayment would add to the expenditure stream. Thirdly, the resources position of the banking system, which is at present comfortable, may improve further with the acceleration of deposit growth.

Comfortable Position

No doubt, the present supply-demand balance in respect of basic commodities like foodgrains is comfortable in the sense of being able to tide over the contingency of a bad agricultural year. However, the vulnerability of price stability should not be overlooked, and there is need for continued vigilance. Moreover, there is also a need for establishing a system which would, on the one hand, detect and monitor signs of emergence of imbalances of supply and demand in isolated pockets / sectors / commodities and, on the other, ensure effective management for correcting such imbalances without delay. In this context, administrative skills and capability for the purpose of maintaining adequate stocks of sensitive commodities from domestic procurement and/or imports and eliminating imperfections in the distribution mechanism have to be further developed. Similarly, while there would be certainly room for flexibility, the basic monetary and fiscal discipline, which has been in operation since the last two years, needs to be effectively maintained.

From a longer-term point of view, what is important is that the rates of saving and investment achieved in 1975-76 need to be at least maintained, if not improved upon. The recent economic policies of the government have been re-oriented in such a manner that sustaining higher rates of saving and investment becomes possible. The emergency and the 20-Point Economic Programme have created an environment in which the public sector's performance on the whole has risen to greater levels of efficiency. A wide range of incentives have also been provided to the private sector to enable it to raise investment and to improve productivity. The response of the private sector to these measures may manifest itself after a time-lag. Given the concerted efforts by both public and private sectors, it should be possible to sustain the growth rates of national income as stipulated in the fifth Plan in an environment of price stability.

Long-Term Prospects

The economy on the eve of 1976-77 has inherited a degree of capability for attaining and sustaining higher rates of growth. This capability stems from, *inter alia*, high rates of saving and investment and availability of foodgrains buffer, as well as from the cushion implicit in the level of foreign exchange reserves. The experience gained in the management of the economy since mid-1975, both in terms of administrative skills and in terms of instruments of management, should stand in good stead for moving the economy to higher levels of capital accumulation and growth.

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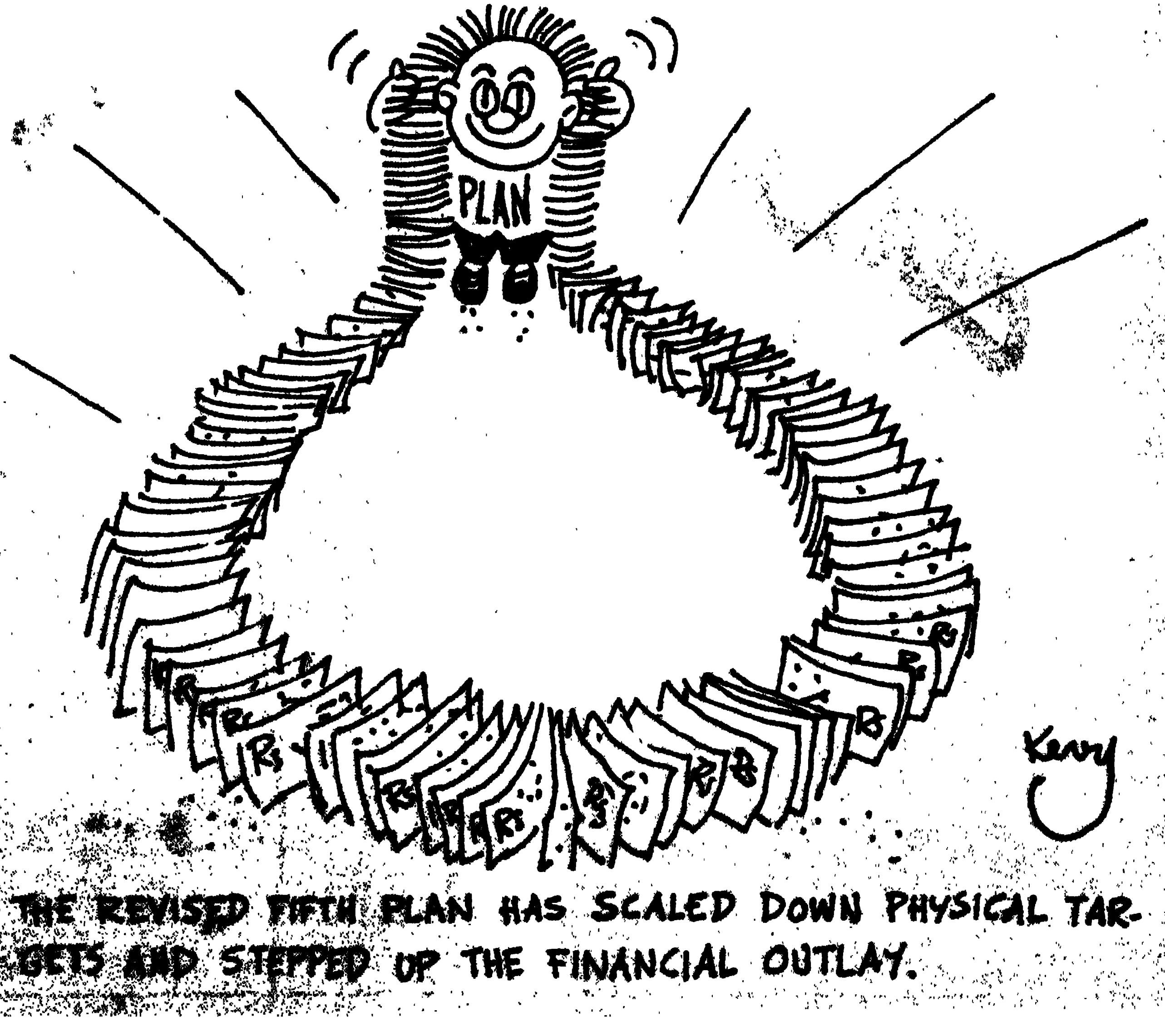

THE REVISED FIFTH PLAN HAS SCALED DOWN PHYSICAL TARGETS AND STEPPED UP THE FINANCIAL OUTLAY.

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All is well, but...

THE X-RAY of our economy by the central board of directors of the Reserve Bank of India has revealed, what is already known and has been stated repeatedly in these columns, that the process of growth picked up its normal pace in 1975-76. Whereas national income in 1974-75 had risen by a mere 0.2 per cent, the increase in 1975-76 was somewhat higher than 5.5 per cent.

The push to the economy was given by strident expansion in the agricultural sector with growth at no less than eight per cent coupled with a little less than six per cent rise in production in industry. Undoubtedly the weather gods were kind to this country but increased use of agricultural inputs such as high-yielding varieties of seeds, fertilizers and water and liberal supply of credit to the farmers by the banks assisted in scaling new peaks in the production levels of agricultural crops. The output of foodgrains at 118-120 million tonnes resulted in the raising of buffer stocks to 17 million tonnes which also was an all-time new record. No wonder that the import of foodgrains was stopped and it was possible to maintain stability in foodgrains prices which, in turn, had a favourable influence on the general price level.

A growing economy needs appropriate changes in the monetary and credit policies and in this Reserve Bank of India exhibited remarkable resilience. While it was keen to continue its anti-inflationary policies, it did not shirk the responsibility of liberalising the credit policy for expanding supplies of both agricultural and industrial products. The commercial banks took up the challenge of providing credit for the food procurement operations and selectively assisted the industries while keeping an eye on the norms of inventories. The Reserve Bank also prescribed a ceiling on lending rates so that the cash-hungry industrial units were not forced to pay inordinately high rates of interest on loans. Consequently, the scheduled commercial banks were able to raise credit by Rs 2509 crores (28 per cent) as against Rs 1097 crores (14 per cent) in the preceding year (1974-75).

The foreign trade deficit in 1975-76 at Rs 1155 crores was slightly lower than the deficit of Rs 1189 crores in the preceding year. However, the most significant development took place in invisible earnings which multiplied three times in the year under reference in relation to the previous year, thanks to the stern governmental action against smugglers and foreign exchange offenders. In some weeks, the inflow of these earnings was as much as Rs 100 crores; at the end of March 1976, the level of our foreign exchange reserves almost reached Rs 1500 crores and exceeded the Rs 2,000-crore mark in August 1976. The government was not sure if the inflow was of a permanent or transient nature. Hence, there was some delay in working out a policy for the utilisation of these reserves for expanding the industrial base of the country and also for providing facilities to exporters.

However, an inter-ministerial group headed by Mr M.G. Kaul, secretary, department of Economic Affairs in the central ministry of Finance, has finalised its proposals for utilising the accumulated foreign exchange reserves for raising production to meet domestic needs as well as the demands of the foreign markets. It is proposed to liberalise the import of some capital goods which is expected to hasten industrial growth and also the process of modernisation in such important industries as cotton textiles and jute manufactures.

All these developments are indeed heartening and point to steady expansion in the economy which had been halted in 1973-74 and 1974-75. The Planning Commission is reported to have finalised the fifth five-year Plan document. Though it had to scale down some targets in key sectors, the financial outlay for the last two years of the plan has been substantially enhanced. The economy is poised for increased investment in view of the fact that recent enhanced production has by and large been attained by intensive utilisation of available capacity. However, it is feared that the Planning Commission even with increased financial commitments may at best be able to approve the completion of on-going projects, mostly in irrigation and power.

The major cause for concern is the rising trend in prices since March this year. According to the Economic Adviser's index of wholesale prices, the level of prices in the first week of September this year was higher than the level in the corresponding week last year. It means that all the gains made in the price situation as a result of the anti-inflationary measures started in 1974 and subsequently reinforced by the emergency, have been completely wiped out. The prime minister, Mrs Indira Gandhi, said recently while addressing a meeting at Coimbatore : "Inflation has been curbed but is waiting for some weak spot where it can come up again". It is in fact slowly raising its head and the rate of rise in prices since March this year has been more than two per cent a month.

increased money supply

The theorists of course blame the increase in money supply as the villain which has been disturbing the price situation. According to Mr K.R. Puri, money supply currently is expanding at double the rate witnessed last year. But this does not constitute the whole story in so far as prices are concerned. There are two other reasons which are perhaps equally responsible for giving a jolt to the price line. First, there are certain commodities such as edible oils and oilseeds and cotton whose prices have risen because of the supply constraints. Unless steps are taken to increase their availability, the pressure on their prices would continue to increase. Second, the inflow of invisible earnings having expanded, the increase in money supply is essential to make cash available to the recipients of foreign exchange from abroad. The parallel economy having been reduced significantly, the increased money supply cannot but put pressure on the available supply of goods and services in the country. The accent therefore should be on increased production and not on harsh monetary and credit curbs which will tend to slow down the pace of expansion of the economy. In fact, some of the industries which had been hit hard by the recession were hoping to receive some relief in credit facilities. They had not emerged out of the recession when the Reserve Bank governor once again clamped down severe credit curbs.

Notwithstanding the disturbing price situation, the economy is likely to attain a reasonably high rate of growth in 1976-77. Besides improved rates of saving and investment, the comfortable food stocks position, the steady inflow of invisible earnings leading to increased level of foreign exchange reserves, the improvement in exports in the four months ending in July 1976, the expansion both in agriculture and industry promise to take the economy to higher levels of growth.

Need for liberal machinery imports

INDUSTRIAL ASSOCIATIONS have urged the government of India to liberalise the import of machinery and components in view of the comfortable foreign exchange reserves position, and the need to expedite the modernisation programmes of the existing industries and to set up new units. The industries manufacturing various types of machinery have without doubt made impressive progress in recent years and some of them have also successfully exported their products to several countries in Asia, Africa and other parts of the world. For instance, the production of complete textile machinery increased from Rs 36.04 crores in 1971 to Rs 72.50 crores in 1974 and it was valued at Rs 55.54 crores in the first nine months of 1975. The export of textile machinery and accessories rose from Rs 4.82 crores in 1973-74 to Rs 17.2 crores in 1974-75 and amounted to Rs 11.89 crores in April-September 1975. In the manufacture of other types of machinery also such as those required for jute, paper, cement, rubber, ceramic, rayon and synthetic fibre and so on, substantial progress has been made and, as a result, imports have been reduced to a large extent.

As a recent official report revealed, "The total production of machine tools is likely to exceed Rs 100 crores during this year as against a production of Rs 91 crores in 1974-75. Production of machinery for manufacture of tyres and rubber goods which stood at Rs 3.5 crores in 1974-75 is expected to be more than double during this year. Chemical machinery worth Rs 50 crores is expected to be produced during this year, registering almost 20 per cent increase over the production during 1974-75. Paper machinery and sugar machinery are expected to touch Rs 20 crores and Rs 30 crores during 1975-76, registering an increase of 56 per cent and 18 per cent over the performance during 1974-75". Nevertheless, our country continues to depend on other countries for her requirements of several kinds of machinery, as well as components and accessories. The government therefore should further liberalise the import of those items of machinery which are not indigenously available. Imports should also be permitted of those items which, though produced in our country, take a long time for delivery or are too expensive.

For example, the paper industry does not seem to be satisfied with the progress made by the pulp and paper machinery industry. There are 24 units in the private sector and one in the public sector licensed to make pulp and paper machinery. Their annual approved capacity is Rs 710 millions and the installed capacity is Rs 357 millions. In addition, 11 units have been given letters of intent with capacity of Rs 525 millions per year for manufacturing complete plants and certain items of paper machinery. In the fifth five-year Plan, the targets for capacity and production for the pulp and paper mill machinery are Rs 350 millions and Rs 300 millions respectively to be achieved by 1978-79. But, consider what Mr K.P. Singhi, president of the Indian Paper Mills Association, said at its annual general meeting held recently, "It is a common knowledge that the capacity for pulp and paper making machinery in this country is quite inadequate. The growth of the Indian paper industry is held up mainly because of the greater emphasis being laid on the development of the indigenous capacity for paper making machinery rather than the paper industry. While I would very much like the rapid growth of the indigenous pulp and paper making machinery industry, I regret that the equipments supplied by the indigenous machinery manufacturers are mostly out of step with modern technological development abroad, not to speak of the exorbitant prices charged for their items of manufacture". Mr Singhi observed that second-hand plant and machinery with capacity of 100 to 200 tonnes per day were available in western countries and that their import would bring down the cost of production. There are several instances of other industries whose cost of production can be reduced by timely import of machinery and components.

sympathetic consideration

The woollen industry is also in need of imported machinery of various kinds for carrying out its scheme of modernisation. Some types of machinery whose import has been suggested are drawing machinery, combing machinery, high speed cards, wool and yarn scouring machinery, and so on. The engineering, chemical, electrical, rubber and automobile are among the other important industries which are in need of various types of imported machinery and accessories. The port authorities also require imported automatic handling equipment for modernisation. This will help them to improve their efficiency, reduce the charges and enable ships to economise their expenses to some extent. The government should sympathetically consider their applications for import licences. In 1975 the government approved 477 cases for the import of capital goods but rejected 221 applications on the ground that they were available indigenously. *But in rejecting such applications the government should also give proper consideration to price, quality, and other relevant considerations.*

It is also important to issue the import licences more speedily. The time-limit for the disposal of capital goods applications is 90 days. It should be possible to reduce this time-limit in view of the improvement in the administrative efficiency that has been brought about under the emergency. Besides, as far as possible, industries should be permitted to import machinery from whichever countries it is readily available. The practice of tying up purchases to a particular country seems to be causing inordinate delay in delivery. Another aspect that deserves consideration is the reduction in the customs duty on imported machinery and components.

The government of India has often expressed regret at the fact that many major industries such as cotton textiles, jute and sugar have sadly and systematically neglected modernisation, despite their great importance to the country's economy from the point of view of employment and export promotion. While industries are, to some extent, responsible for this situation, it cannot be denied that official policies have also largely contributed to it. The enforcement of unrealistic controls for prolonged periods, uneconomic prices for purchases made by the government, and the high level of corporate taxation are among the factors which have made it difficult for industries to earn adequate profits and plough them back. However, official policies are becoming increasingly pragmatic. The accretion of substantial foreign exchange reserves should give opportunity to the country to undertake a vigorous programme to equip our industries with the most up-to-date machinery and other facilities for research and development. But industries can implement such schemes effectively only if there is an improvement in the availability of rupee finance. The government should therefore see to it that its fiscal and monetary policies are suitably adjusted to enable industries to make the best use of the foreign exchange reserves.

Plantations raise export earnings

The plantation industries are experiencing boom conditions in the export trade and the contribution to foreign exchange earnings will be quite impressive at about Rs 530 crores in 1976-77. The substantial increase in the unit value of exports of tea and coffee and the larger earnings through spices, cashew and pepper will be responsible for a rise in value by over Rs 100 crores as compared to 1975-76. What is really noteworthy is the achievement of a breakthrough in tea and coffee exports particularly in the former after a long period of stagnation and the achievement of self-sufficiency and even a marginal exportable surplus in rubber. The share of nearly 12 per cent for the plantation group in total exports which would have increased by nearly 2½ times in four years is indeed striking as no foreign exchange is required for sustaining these exports except in respect of cashew where raw nuts are imported for being processed and exported subsequently. Excepting for this weakness in the plantation economy, which could be easily remedied by intensifying development of cashew plantations, the plantations industry has been progressing phenomenally for over two decades.

The president of the United Planters Association of Southern India (UPASI), Mr M. M. Muthiah, appropriately drew the attention of the government to the fact that "we have outproduced the next largest producer (Sri Lanka) in the world by 2½ times (tea) in 20 years." Coffee production also has increased by 136 per cent and rubber by 480 per cent in the same period. However only in respect of tea India can lay claim to being the largest producer in the world, while the share of coffee and rubber in world production is rather small. But what is really important is a systematic improvement in productivity in every sector of plantation agriculture in spite of regional *disparities and the difficulties experienced* by small growers in adopting modern scientific techniques using the required inputs.

The president of UPASI has naturally emphasised the need for the adoption of a national policy in respect of land ceiling laws and careful examination of the incidence of central and state taxation so that the different industries can increase their output substantially and throw up the required export surpluses even in the face of increasing needs of the home market. While the progress recorded in the past two decades is truly remarkable by any criterion, there is the danger of export surpluses in tea and coffee dwindling and the marginal surplus in rubber disappearing, if there is no perspective planning for development in the next two and half decades. It is also necessary to organise the cultivation of pepper, cashew, cardamom and other spices more systematically as violent fluctuations in output and the predominance of small growers lacking proper guidance has not been conducive to the stepping up of production on a defined basis.

transfer of technology

However, as the union minister for Revenue and Banking, Mr P. K. Mukherjee, (whose speech was read out at the annual meeting of UPASI in Coonoor in his absence) has stated, it is not merely a question of increasing production but making available the fruits of organised agricultural development to the small growers and bringing about a better dispersal of additionally generated incomes. The UPSAI has been doing good work in bringing about the transfer of technology to the small growers with the creation of the necessary organisation and facilities for providing the desired assistance.

The major problem, however, relates to the replantation of overaged bushes in tea industry which are estimated to form nearly 40 per cent of the total area under the crop. It has been abundantly proved by the good work carried out in many estates in Nilgiris in Tamilnadu that the higher levels of productivity can be achieved with systematic replantation and careful tending of even overaged bushes with better manuring, elimination of pests and the like. The contribution of southern region has been steadily increasing over a period and even with a set-back suffered in some areas in Kerala on account of various uncertainties for a time, the yield is higher by 10 per cent on an average. As north India is accounting for over 390 million kg of tea out of a total of 500 million kg, even a 10 per cent increase in productivity will yield an additional output of 40 million kg, annually. With the prospect of increase in internal consumption by at least five per cent yearly and the scope for raising the quantum of exports by 10 to 15 million kg yearly, the output of tea will have to be improved sizably if the exportable surplus is not to be allowed to decline over a period. It may even be necessary to have a target of 1000 million kg by the end of the century. This objective will call for an extension of area under crop, increase in yield per hectare and toning up of the efficiency of the small planters.

The replantation schemes are being implemented vigorously in some regions though there is no ready disposition to uproot old bushes because of the fear of loss of income for some years. This aspect will have to be carefully looked into and it could even be examined if, apart from replantation subsidy, a pool can be created by which the small growers can be benefited for the 'loss' of income that would arise out of replantation on the understanding that a portion of the additional income accruing in the later years will have to be repaid to the pool against the payments received in earlier years. It has also been urged that some allowance should be given to the tea industry in respect of depreciation in value of field assets, as in the case of rubber, in order to generate the required resources for modernisation and replantation.

happy situation

In respect of coffee the estate owners are now happy that exports are being effected on a highly remunerative basis, thanks to the damage of coffee crop in Brazil and dislocation in production in movement in Angola, Mozambique and Uganda. The value of exports has nearly trebled to Rs 90 crores in four years and the difficulty at the moment is finding the required quantum of coffee for export. The shortfall in output in the last season due to adverse weather conditions by about 5000 tonnes is rather unfortunate. Even so, with careful management of available stocks, exports in 1976-77 may be even 57,000 tonnes and the value Rs 90 crores as stated above as compared to Rs 65 crores in 1975-76. The 1976-77 crop is estimated around 100,000 tonnes and it may not be difficult to step up exports to even 60,000 tonnes in the current financial year, if the receipts into the pool prove to be gratifying in the early months of 1977. But it is imperative that there is a doubling of coffee output to 200,000 tonnes in the next decade with special encouragement to small growers who are numerous in this industry and the desired incentives for bigger producers. The Indian Coffee Board is seized of the importance of this objective and it is being examined how the area under crop can be extended in existing and new regions and productivity raised.

temporary plenty

As for rubber there is a problem of plenty temporarily, as Mr Mukherjee has observed. The export of 5000 tonnes has been effected by the State Trading Corporation with a small loss and another 10,000 tonnes can probably be shipped without creating trouble for the industry. It will, however, be desirable to encourage exports of rubber goods and tyres instead of natural rubber as foreign exchange for over Rs 50 crores can be earned in a year by using fully the existing capacity. The tyre producers particularly can export even 15 per cent of current production because of slower growth in internal consumption and the creation of additional capacity. It has been stated, however, that the incentive scheme is not properly conceived and there will have to be some adjustments for enabling the tyre producers to take advantage of the opportunity for effecting sizable exports to middle east and south-east Asian regions. It will thus be more convenient if buffer stocks in rubber are maintained in cooperation with the industry. While there should be no let-up in growth of output of natual rubber, it will pay good dividends if casual cultivation is extended over large areas and the dependence on imports of raw nuts from east Africa is reduced if not eliminated.

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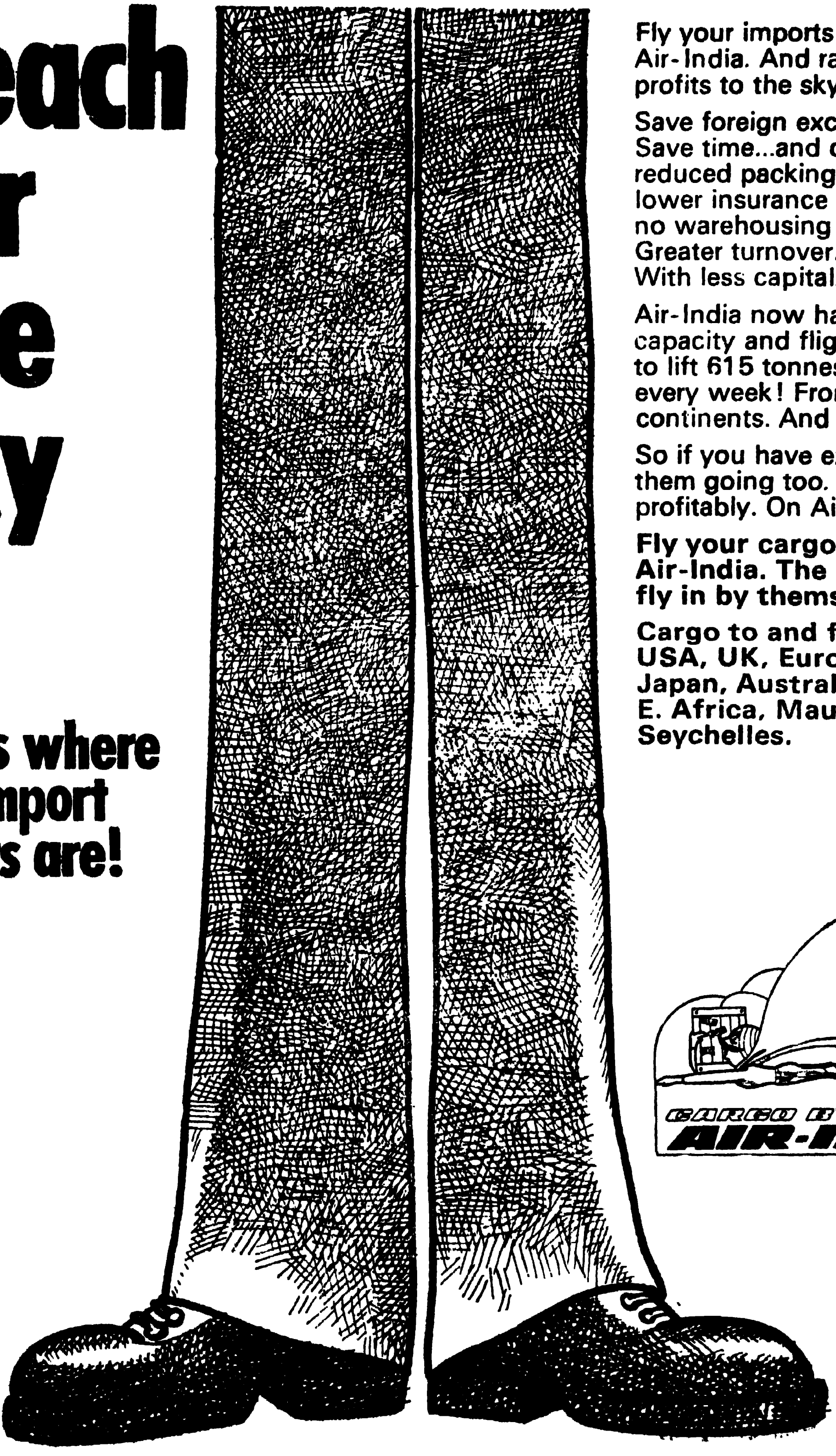

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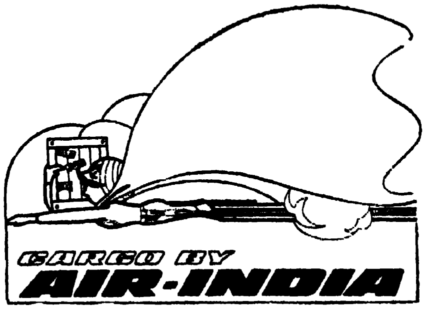

AI. 9936

CAPITAL'S CORRIDORS

R. C. Ummat

Fifth Plan revised outlays and targets • Oil exploration • Mineral reserves in Himalayas • External trade trends

EVEN THOUGH the public sector outlay during the current fifth Plan period is understood to have been revised upwards, the Planning Commission feels that the average annual growth rate of the economy during the five years to 1978-79 may not exceed five per cent, as against 5.5 per cent envisaged at the time of drawing up of the first draft of the Plan. This is because the inflationary tendencies during the first two years of the Plan period had pushed up the costs steeply and this had resulted in the physical performance leaving much to be desired. The National Development Council is meeting here on September 24 and 25 to finalise the current Plan though we are already half-way through it.

The public sector outlay reported to have been decided upon now is nearly Rs 39,100 crores—approximately Rs 1,800 crores more than envisaged in the draft. The share of the centre in this is understood to be around Rs 20,050 crores and that of the states and the union territories Rs 19,050 crores. The outlay budgetted during the first three years aggregates to approximately Rs 19,400 crores. The remainder Rs 19,700 crores outlay, thus, will have to be provided for during the terminal two years of the Plan.

main beneficiaries

As indicated by the union minister for Finance, Mr C. Subramaniam, in his this year's budget speech, the main increases in the outlay, compared to the provisions in the draft Plan, have been proposed in the irrigation, power and industry sectors, The overall outlays for agricultural development as well as for social services have been somewhat scaled down.

Some of the revised sectoral allocations, along with the original provisions, are understood to be as given in the table below.

In the industrial sector, the physical targets are said to have been pushed up significantly only in the case of crude oil (from 12 million tonnes originally to 14.2 million tonnes) and nitrogenous fertilizers (from 2.9 million tonnes to four million tonnes). There has been some scaling up of the physical targets for the manufacture of motor cycles and scooters also.

targets lowered

The targets for the other major industries are understood to have been scaled down as follows (the original targets are given in brackets): Coal 124 million tonnes (135); iron ore 56 million tonnes (58); finished steel 8.8 million tonnes (9.4); aluminium 3.1 lakh tonnes (3.7); copper 37,000 tonnes (45,000); zinc 80,000 tonnes (100,000) sugar 5.4 million tonnes (5.7); cotton cloth 9,500 million metres (10,000); petroleum products 27 million tonnes (34.6); cement 20.8 million tonnes (25); agricultural tractors 55,000 numbers (80,000); commercial vehicles 60,000 numbers (110,000 numbers); passenger cars 32,000 numbers (60,000 numbers); paper and paper board 1.05 million tonnes (1.2); newsprint 80,000 tonnes (151,000).

The revised target for foodgrains production is envisaged to be around 125 million tonnes, although earlier it was put at 140 million tonnes. The target for vanaspati manufacture is said to have been lowered from the originally talked level of 740,000 tonnes to 610,000 tonnes.

Though the allocation for the power sector is being raised, the physical target for power generation is being pitched lower around 117 billion kwhs, as against 120 billion kwhs. The railways, it is felt, may be required to cater for a goods traffic of only 260 million tonnes in the terminal year of the Plan, as against 300 million tonnes envisaged earlier.

Exports during the five years to 1978-79 are expected to register an annual growth of nine per cent, as against the earlier estimate of seven per cent.

Encouraged by the experience of China of striking oil in fairly large quantities in the fresh water sediments north of the Himalayas, the Oil and Natural Gas Commission has planned to launch deep drilling at two locations in similar rock formations on the southern side of this mountain range. The locations selected are Puranpur in the Pilibhit region of the Gangetic basin and Nurpur in the Kangra district of Himachal Pradesh. The Puranpur structure is envisaged to be drilled to a depth of 5,000 metres and the Nurpur well to a depth of 6,000 metres.

(Rs crores)

		Revised	Original
(a)	Agriculture and Allied Programmes of which	4644	4730
	Irrigation and Flood Control	3434	2805
(b)	Power	7012	6190
(c)	Industry and Mining	10292	8939
(d)	Transport and Communications	6889	7115
(e)	Social Services of which	5586	5790
	Education	1687	1726
(f)	Hill and Tribal Areas Development	450	500

Drilling is expected to be taken up in the near future, possibly by the end of the current financial year.

The ONGC has also decided to resume drilling in the Jwalamukhi region in Himachal Pradesh where it was abandoned in the late fifties after drilling three wells. At that time, only traces of gas were found in one of the wells in two horizons between 879 and 890 metres and 919 and 923 metres, but they were not considered to be commercially exploitable. The other two wells had not yielded even traces of hydrocarbons. Drilling in this area is now proposed to be undertaken to a depth of 3,500 metres, as a fresh thorough study of the available data has thrown up indications of both oil and gas being encountered in commercially exploitable quantites up to this level. The first well which was drilled in this region in 1956 was targetted to a depth of 3,200 metres, but it had to be abandoned at a depth of slightly over 3,000 metres following encountering of technical difficulties.

Another area has also been selected for exploration in Himachal Pradesh. It is in the Solan district. The first well to be drilled in this area will be in the Ramshahr structure. Here drilling is expected to be taken up to a depth of 4,500 metres.

Incidentally, the heavy rigs manufactured indigenously by Bharat Heavy Electricals Limited are proposed to be used for drilling in the above renewed search for oil on the southern foothills of the Himalayas.

* *

The Geological Survey of India (GSI) has discovered a major multi-metal deposit of vital base metals at Goravathan, near Darjeeling, in the eastern Himalayan region. This was disclosed last week by Dr V.K.S. Bardhan of the GSI at the international seminar on Himalayan geology.

The deposits which are reported to be extending over several kilometres in the region are estimated to be capable of yielding a metal content of five to 10 per cent. The base metal reserves include copper, lead, zinc, tin, etc. They are considered to be fairly good in character and capable of commercial exploitation.

The GSI has also discovered a major deposit of tin ore in the north-eastern parts of the Himalayas. It is hoped that its commercial exploitation would commence after the entire data are thoroughly analysed. It is strongly felt that this deposit is part of the tin ore deposits in Burma which are stated to be quite extensive.

The GSI has as well established some phosphorite deposits, the largest among them being in Uttar Pradesh (Mussoorie), Madhya Pradesh (Jhabua) and Rajasthan.

* *

For the sixth month in succession, we had a surplus trade balance during July last. The provisional data for that month indicates that exports aggregated to Rs 370 crores — 24.5 per cent more than the Rs 293 crores exports in this month last year. Imports amounted to Rs 337 crores—21.5 per cent lower than Rs 422 crores worth effected in July, 1975.

The first four months of the current financial year have yielded a surplus trade balance of Rs 82 crores. Exports during this period have been of the order of Rs 1,466 crores and imports to the tune of Rs 1,384 crores. The trade deficit in these four months last year was as high as Rs 410 crores.

The surplus trade balance to July-end this year has resulted from nearly 32 per cent increase in exports and about 12 per cent drop in imports. The increase in exports has been registered despite a substantial fall in the exports of sugar. Exports of engineering goods, leather and marine products, oils, tea, coffee, etc, have shown a significant uptrend, particularly of the first three items. They have not only wiped off the decline in realisations from sugar exports but have also brought in some additional foreign exchange. The primary reason for the decline in imports is the stoppage of imports of food and fertilisers. The imports of ferrous and non-ferrous metals too have registered a sharp decline.

Although imports are now being liberalised in view of the comfortable foreign exchange situation, the encouraging trend in exports, it is felt, may enable us to break-even on the external trade front. If the supply position of agricultural raw materials after the current kharif crop is comfortable, we might still have some surplus trade balance at the end of the year. Liberalisation has been effected recently not only in the imports of cotton, synthetic fibres and edible oils but also in those of various other raw materials, including non-ferrous metals.

The deficit on our external trade account this year is thus likely to be wiped out and the increased remittances from Indians abroad—approximating currently nearly Rs 100 crores per week—along with the strengthening of the rupee in terms of pound-sterling, having raised the foreign exchange reserves of the country to nearly Rs 2,100 crores (excluding gold and SDRs), we may not be able to avail of the loans from the International Monetary Fund through the soft-lending window. This window is being established through the sale of part of the gold subscriptions of the members-nations to the IMF in terms of the decision taken recently. Loans from this window are envisaged to be made available only to the developing countries which have serious balance of payments difficulties.

This lending operation has been thought of by the IMF as a replacement of the oil facility which was stopped last year. The oil facility was made available to the countries particularly hit by the escalation in their oil import bills following the sharp increase effected in the price of crude oil by the oil exporting nations three years ago.

deferred payment facility

The improved foreign exchange reserves of the country, it is further learnt, may not be utilised for the time being for bringing down external debt, as the government will like to watch the improvement in the balance of payments position for some more time. Part of the improved reserves, of course, as indicated above, are proposed to be utilised for liberalising imports of essential raw materials. To some extent, they can also be used for stepping up exports through providing increased deferred payment facilities to the developing nations of Asia and Africa. We, of course, obviously cannot match the deferred payment facilities being made available by the developed nations. So, this facility from us is likely to be available to the developing countries only on a limited scale.

Increase production and banish poverty

B. M. Birla

This year the Federation of Indian Chambers of Commerce & Industry (FICCI) is celebrating its Golden Jubilee. Mr B. M. Birla, who is the chairman of FICCI Golden Jubilee Celebrations, launched the year-long celebrations at Bombay on September 9, 1976. In his key-note address, given here in full, he urged each member of the business community to make a conscious effort in raising output and making increased volume of goods and services available to the people. He set the target of per capita income in this country at $2500 (about Rs 25,000) at the turn of the current century as against $100 only at present. "This country must become one of the strongest countries in the world and, God willing, it will become", said Mr Birla.

THE WIDE coverage of the Federation of Indian Chambers of Commerce & Industry (FICCI) has not been publicised well enough so far. This Federation of ours represents virtually hundreds of thousands of business enterprises, big, medium and small not only in urban, but also in the rural areas. Take even the Indian Merchants' Chamber, Bombay. It has some 2000 direct members. About 150 associations are affiliated to this Chamber. The membership of these associations runs to 10,000. Let me go a step further. The Federation itself has in its membership nearly 440 Member-Bodies, i. e. chambers of commerce and industrial and trade associations.

Like the Indian Merchants' Chamber in Bombay, there are other chambers in different centres like Madras, Calcutta and Delhi, which have large direct membership of their own, as well as a number of associations affiliated to them. A crowded shopping centre in any city or town has a number of retail shops and almost all of them have their own associations.

representative organisation

It is wrong to think that the Federation takes care of the interests of big business alone. Since its inception, the Federation has talked on behalf of industry, trade and commerce which means in effect the twelve million of those who are engaged or self-employed in some business or the other. This is not all. Even a rough estimate will show that all these enterprises put together will be employing nearly 10 million workers. Besides, if you include the families of those self-employed, the number will be nearly 60 million, about 10 per cent of our country's population.

Essential commodities like foodgrains, spices, cereals and a host of other articles are consumed every day by every family. Having regard to the size of our country and the huge population, it is almost a miracle as to how businessmen take their wares to the most inaccessible parts in India and supply them even to the remotest villages. This distribution network is an extraordinary phenomenon and what is equally surprising, the distribution cost in our country is the lowest in the world. All this is not commonly appreciated.

POINT
OF
VIEW

All shops are full of goods, almost all made in India by our businessmen. It is a great credit that during the last 30 years the country has become self-supporting in almost everything, where businessmen were allowed to produce.

It is up to business organisations to bring out all these facts and place them before the public from time to time. In fact, the Golden Jubilee Year provides a unique opportunity for every business enterprise not only to publicise the details, but also tell the public the kind of services it is rendering. They should bring people to their establishments and show how goods are produced or manufactured and marketed in the retail shops. Not only this, but all social services rendered by businessmen should also be shown to the public.

Business can thrive only on service and can exist only when it continually expands. In other words, everyone must make a conscious effort to increase production and make available more goods and services to the people. It is a wrong impression that profits can be made only when there is scarcity and when there is plenty business fortunes suffer. This is far from true. May be, individual enterprises might make profits, but they will wither away very soon when there is no increase in the number of consumers or their consumption capacity.

controls and regulations

It is here that I would like to touch upon controls and regulations. While possibly, in every resolution passed by every chamber of commerce, the opinion is voiced that controls and regulations are bad, once government thinks of removing them, then businessmen themselves are known to plead that government should continue these regulations. It is time that everyone got out of this approach. Even after 30 years of Independence, if there is scarcity of certain goods, it is a shameful matter for the business community. After all, controls do not create goods. It is production only which will remove scarcity. We must work hard, therefore, to produce more and get rid of this mentality of scarcity. The controllers also must help in more production than merely satisfying themselves by controlling distribution of non-existent goods and discouraging productive effort.

Our single and dedicated aim must be to make our nation strong. All the countries around us are going ahead with big expansion schemes and with strengthening their defences. We too must become strong in every area of national life. This is what our prime minister, Mrs Indira

Gandhi, has been constantly emphasising. The strength of a nation comes from its economic activities, from the assets it holds and the size of output. In my view, there is not a single thing that we cannot produce. Our natural resources are immense. We have well trained technical and managerial people. Our population is 600 million and it is growing. The market for our products is huge. If some commodities do not move fast in the market, it is because the purchasing power is not there in the hands of a considerable section of our population.

I have heard it said often that this purchasing power can be generated only if there are savings first. In all humility, I would say that this concept of saving imagines some kind of fixed fund, to which accretions can be made slowly and laboriously. It does not tally with the reality. We can generate savings almost automatically, once we come to look upon savings as a flow rather than as a fund. For instance, in our own country, this flow can be enhanced if all the unutilised capacity is utilised and more capacity is created. This will generate wealth which will help in creating savings and investment. We have all these years emphasised the necessity of mobilising resources, but have not emphasised the need to generate resources. Unless we produce more, there will be no generation of resources, without which we will not progress. Thus, savings are a concomitant of greater production and we should not view it as a subsequent factor separated by time.

I recall vividly the way in which the sugar industry, to give an example, grew up in India. In a matter of two years, hundreds of factories were set up. This was way back in 1932. Why can't we do this again? We have greater expertise, greater knowledge and greater experience. Also, we have a government which is anxious to do everything that is necessary to make our nation economically strong. Today, while we produce something of everything, we do not produce enough or in large quantity, which is the main cause of our poverty. It means we do not generate sufficient wealth; so, the purchasing power of our people is low and we remain poor. It is only production which will generate wealth and remove poverty. We have to catch up with the world and also the countries surrounding us. Today world per capita income is $1300. It will be $2500 by the end of the century. If we have to catch up with the world progress, we will have to raise our sights high. Our per capita income is about $100, and if we have to be on par with the world at the end of the century, it will have to go up to $2600 or Rs 25,000. Some of the developed countries' per capita income is around $6000 or more today. Their income possibly will be between $15,000 to $20,000 per capita at the end of the century. Let us aim modestly to achieve at least $2500 by the end of the century and at least come on par with the whole world. This country must become one of the strongest countries in the world and, God willing, it will become.

People sometimes mention about shortage of capital in our country. Today there is such a large pool of liquid resources available in the world, which never happened at any time. Therefore, if we want to make progress, there will be no lack of resources. These resources will

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stimulate the use of our own domestic resources. It means that our production base will expand and there will be greater employment and wealth. In this process, there will be larger exports from our country. This, in turn, will help us to import more capital goods. Imports and exports chase each other and the ultimate end naturally is to provide a better life to our people.

Finally, I want to end with the thought that everyone of us must have confidence in ourselves. We should not be overwhelmed by temporary difficulties. If one comes to think of it, there is hardly a time when there are no difficulties. Difficulties are a part of a businessman's life. It is because we want to be enterprising and not static. I wish therefore to ask you all, who have assembled here and the millions who are in business in India, to make our country stronger day by day and help in getting rid of generations of poverty,

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Cost of power and fuel in aluminium industry

Dr N. P. Agrawal

The author who is a lecturer in Accountancy and Business Statistics in the University of Rajasthan, Jaipur, has studied the element of electricity cost in the aluminium units in India from 1963 to 1973. Besides recommending continuous supply of power to these units, he has also suggested the introduction of process control which in the case of HINDALCO has proved highly efficient.

In an aluminium plant, power is an essential requirement and not only an adequate supply but a continuous availability without any fluctuation in voltage is needed. In contrast to other industries, where interruption in power affects the working only for the duration of the disturbed period, in an aluminium plant continuous and uninterruped supply is of primary importance for efficient working and especially for the production of electrical grade metal.

In aluminium industry in India, during the period from 1963 to 1973 the proportion of power and fuel to total cost was 15.0 per cent. It varied from 12.6 per cent in 1963 to 16.0 per cent in 1970 and 1971. However, due to increase in the other elements of cost also the proportion of power is not showing so much increase, but the power rates have increased substantially during the period, varying from state to state. The years 1970 to 1973 were years of power shortage throughout the country. The proportion of power and fuel registered a rising trend throughout the period from 1963 to 1973 except in 1972 and 1973. Due to shortage of power during 1972 and 1973 the bills of power were not so heavy but the expenditure on other items, of which some are of fixed nature, did not decrease resulting in lower proportion of this expenditure. (Table 1.)

In Alooin the proportion of power and fuel varied from 8.1 per cent in 1967 to 14.8 per cent in 1973 constituting a range of 6.7 with an average of 11.1 per cent for the period from 1963 to 1973. The proportion registered a fluctuating trend, but during later years from 1969 to 1973 it registered a rising trend and the proportion rose from 9.4 per cent in 1969 to 11.5 per cent in 1971 and 14.8 per cent in 1973. During the period the company faced frequent power cuts. "The company's purchased power requirement was at 20 MW. Due to shortage of power, the company volunteered to reduce it to 17 MW subject to continuous supply of the same. However, even this reduced requirement was not met by Damodar Valley Corporation Ltd from whom the company gets power."[1]

frequent shortage

The frequent shortage of power with interruption in power supply caused damage to the smelter, reduced the life of electrolytic cells also and increased the consumption of costly chemicals such as cryolite and aluminium fluoride. Further, the rate of electric power of 6.2 paise/kw inclusive of fuel surcharge and electricity duty was too high. The company is also having its own generating unit capable of producing 11 to 12 MW power. Being an old plant, the company's cost of production of power is reported to be much higher. This position has been further aggravated by the nationalisation of captive coal mines, which has resulted in an increase in the price of coal.

In Indal, the proportion of power and fuel to total cost varied from 9.5 per cent in 1972 to 15.1 per cent in 1964 constituting a range of 5.6 with an average of 11.5 per cent for the period from 1963 to 1973. The proportion of the expenditure registered a fluctuating trend, but the proportion increased considerably during 1973 due to the fact that production during 1973 decreased from 79,000 tonnes in 1972 to 76,000 tonnes due to shortage of power. In 1965 the company was required to pay additional surcharge on the agreed rates for power that increased the proportion substantially.

effect of drought

Due to generating problems and the drought during 1971 and 1972, power cuts of 25 and 50 per cent were imposed on the company's units at Belgaum in Mysore state (now Karnataka) and Hirakud in Orissa respectively. During 1973 the company's directors pointed out: "As already mentioned, the company's smelter at Hirakud lost 5800 tonnes of output in 1973 due to power supply difficulties while the smelter at Belgaum was subject to an average power cut of 20 per cent."[2]

In Hindalco, the proportion of power and fuel cost to total cost registered an increasing trend during the period from 1963 to 1973 except in 1972 and 1973. The proportion of power and fuel varied from 11.6 per cent in 1963 to 22.0 per cent in 1971 constituting a range of 10.4, the highest among the aluminium companies. The average proportion was 19.1 per cent which is the highest as compared to industry as well as all the other aluminium companies. The company has an agreement with Uttar Pradesh State Electricity Board (UPSEB) for the supply of 50 MW. However, since November, 1966 the company has been facing power cuts on account of insufficient rains mainly. "During 1971-72 and 1972-73 the power cut was in the range of 25 to 50 per cent. Under the emergency assistance and parallel operation agreement, the company was allowed to use another 100 million units at the rate of about 14.2 paise per unit exclusive of electricity duty. During October 1972 to May 1973 this rate was raised to about 28.02 paise."[3] The company's dispute with UPSEB forced it to go to the Supreme Court for the restoration of power, which was disconnected completely in May 1973. "The year 1973 started with a power cut of 25 per cent which was increased to 40 per cent in February and 50 per cent in March. This year the supply has been completely cut off from January 24, 1974."[4]

varying proportion

In Malco, the proportion of power and fuel to total cost varied from 14.1 per cent in 1965 to 17.4 per cent in 1966 constituting a range of 3.3 which is lowest among the aluminium companies. The company paid on an average 15.8 per cent of total cost for power which is higher as compared to Alcoin and Indal. The company also experienced power supply restrictions during the last two years. As a result, their first stage of expansion, which was ready by September 1972, could not be commissioned and due to severe power restrictions the plant was totally shut down for some time in 1973. "In view of the almost total closure of the plant for a period of nearly five months during 1973, due to power cuts the production reduced considerably. The process of re-starting the plant commenced from July 1973. During the year, part of the expansion programme was also energised. At the end of the year, the production capacity stood at 18,000 tonnes. This could have been more, but for non-availability of power. It is most unfortunate that the plant is again subject to 30 per cent power cut from April 1974"[5]

It will be seen from Table II that the 'F' ratio is 16.7. The table value of 'F' at one per cent and five per cent levels of significance for $v_1=2$ and $v_2=28$ are 5.45 and 3.34 respectively. This shows that the differences in the percentage expenditure on power and fuel in the three companies are significant.

Power is one of the items of the heaviest cost in the production of aluminium. The actual consumption of power per tonne of aluminium by the producers during 1964 to 1967 is given in Table III.

It is evident from the Table III that Hindalco's consumption of power per tonne of metal produced is the least, but due to high rates charged for power from Hindalco, the company is paying a higher amount for power and fuel.

At the end of March 1969, the country had power generation capacity of 14.3 million kw. During the fourth Plan period, the government had hoped to add 9.3 million kw of installed capacity. But what was achieved was only 4.6 kw, bringing the installed capacity in the country to 18.9 million kw. On March 31, 1974 the installed capacity of 18.9 million kw was made up of hydro 6.96 m kw (about 37 per cent), thermal 9,808 m kw (about 52 per cent),

TABLE I

Percentage of Power and Fuel to Total Cost of Aluminium Companies in India from 1963 to 1973

Years	Alcoin	Indal	Hindalco	Malco	Aluminium Industry
1963	12.9	13.1	11.6 L	—	12.6 L
1964	11.9	15.1 H	13.4	—	14.1
1965	11.6	14.2	14.1	14.1 L	13.8
1966	10.2	12.6	17.7	17.4 H	14.9
1967	8.1 L	11.0	18.5	16.2	14.3
1968	9.6	11.8	18.5	17.2	15.3
1969	9.4	10.8	19.8	16.9	15.6
1970	10.4	12.1	20.5	14.7	16.0 H
1971	11.5	10.4	22.0 H	16.7	16.0 H
1972	12.1	9.5 L	19.3	14.2	14.2
1973	14.8 H	12.0	18.3	14.4	14.9
1963-73	11.1	11.5	19.1	15.8	15.0
Range	14.8—8.1 =6.7	15.1—9.5 =5.6	22.0—11.6 =10.4	17.4—14.1 =3.3	16.0—12.6 =3.4

H=Highest L=Lowest

TABLE II

Analysis of Variance of Proportion of Power and Fuel in Aluminium Companies in India

Source of variation	Sum of squares	Degrees of freedom	Mean square	
Between companies	181.6	2	90.8	$F=\frac{90.8}{5.4}$
Within companies	150.2	28	5.4	$=16.7$
Total	331.8	30		

nuclear 0,580 m kw (about 3 per cent) and 1,522 m kw other non-utilities (about 8 per cent).

The fourth Plan targets and achievements by types of generation are as given in Table IV.

The persistent shortfalls in the creation of power capacity during the Plan periods have been one of the reasons for the energy crisis facing the country. In 1972-73 the demand for power was one million kw more than the installed capacity of 19 million kw. Actual power availability, however, was much less because plants worked below capacity on the one hand and lost as much as 20 per cent in transmission on the other.

The other cause for apprehension is the rising prices of imported crude, and continued dependence on it for two-thirds of our requirements.

reasons for shortfall

The reasons given by the Planning Commission for the shortfall in targets are lack of adequate project management and monitoring; shortages of key materials such as steel, cement, electrodes and explosives; delays in civil works and ordering for plant and equipment; and, delay in the supply of major equipment.

Table V gives in detail the allocations, expenditures and shortfalls in power generation.

It is clear from Table V that in spite of more expenditure than allocated for the purpose the target achievement was merely 50 per cent during 1969-74 as against 75.9 per cent during 1966-69.

The total power supply to the aluminium industry, which is supposed to be a power intensive industry, was limited to only about 425 MW which was only 2.5 per cent of the installed capacity of power generation. The US aluminium companies however, are consuming 2.8 per cent of total US electric utility purchases. "Electrolysis is by far the major energy cost in aluminium production, which consumes 2.8 per cent of tolal US electric utility purchases."[6] Therefore, it should not be difficult to meet the total requirement of power of the aluminium industry which is a basic and strategic industry for the economic development of the country, provided there is a will to do so.

At present the power generation is very low because the thermal power units are not working properly. The heavy losses in power transmission lines can be reduced by efficient supervision, correct and adequate design of power lines and vigi-

TABLE III

Power Consumed for Production of Aluminium During 1964 to 1967

	Quantity (1000 kwh) consumed per tonne of metal			
	1964	1965	1966	1967
(1) Indal—Alupuram	20.36	20.33	20.15	18.96
Hirakud	19.06	19.12	22.20	20.13
(2) Malco	—	20.57	20.57	20.57
(3) Hindalco	18.60	18.86	19.06	18.80

Source: Tariff Commission's Report, (Government of India, Ministry of Commerce) 1968, p 52.

TABLE IV

Targets and Achievements in Generation of Power

(Capacity in Megawatts)

	Hydro	Thermal	Nuclear	Total
Target	3518	4766	960	9264
Achievements	1057	2942	580	4579
Slippage into fifth Plan	2461	1824	400	4685

Source: Times of India Directory, 1974-75, Times of India Press, Bombay, p 43.

TABLE V

Allocations, Expenditures and Shortfalls in Power Generation

Plan	Financial outlays		Installed generating capacity (M Kw)				
			Cumulative		Additions		Percentage
	Plan allocation	Actual expenditure	Target	Achievement	Target	Achievement	shortfall
Pre-first Plan	NA	NA		2.30	—	—	—
First Plan (1951-56)	NA	1050	3.60	3.40	1.30	1.10	15.4
Second Plan (1956-61)	2350	2500	6.90	5.65	3.50	2.25	35.7
Third Plan (1961-66)	7120	7739	12.69	10.17	7.04	4.52	35.8
Three annual Plans (1966-69)	6430	6762	15.60	14.29	5.43	4.12	24.1
Fourth Plan (1969-74)	12540	15550	23.00	18.87	9.26	4.58	50.0

Source: The Times of India Directory and Year Book, 1974-75, The Times of India Press, Bombay, p 147.

lance on the part of supervisory staff to check leakage and theft on transmission lines.

One MW capacity is equivalent to 8700 units in a year. The actual production of power in efficiently run places against one MW of installed capacity is about 6000 units. In India, however, the actual production is less than 4000 units although some individual plants produced 7000 units or more per year. Thus there is a great scope for improvement in this direction.

One fails to understand the fear of monopolistic tendency by restricting and not allowing captive power plants to the aluminium industry. The efficient supervision and continuous vigilance in captive power unit can have a power-generating efficiency around 85 per cent.

The centre has fixed a four-tier enhanced power rate structure. The power tariff for the aluminium industry varies from state to state and the maximum increase allowed varies from two paise to 11 paise per unit. The four-tier power tariff provides for progressively increasing rates for each quarter of power consumed. The effective rates per unit for full power supplied to the aluminium units are in Karnataka seven paise per unit, Kerala seven paise, Orissa eight paise, Tamil Nadu nine paise, Uttar Pradesh and Madhya Pradesh 11 paise each.

the understanding

The centre and states have come to an understanding that the new power rates fixed be regarded as ceiling and inclusive of all state taxes, duties and current fuel costs (surcharges). All future increases in the new rates should be only in proportion to any increase in the published general purpose tariff rates in the concerned areas for bulk consumers.

However, it has been agreed that appropriate adjustment in the effective power rate might be made as and when there is an increase in fuel surcharges. Subject to these conditions the new pewer rates are to remain in force for a period of five years.

The chief ministers have been requested to have the power supply stepped up to the aluminium industry immediately, while the electricity boards are renegotiating their contracts with the aluminium companies on the basis of new power rates and principles[7] suggested.

The following are the suggestions made for improving power supply to aluminium industry :

1. "It would be desirable to phase the implementation of power programme in such a way that the actual requirements of aluminium can be readily fulfilled."[8]

2. "It would be desirable for the government to examine the question of electricity tariffs in detail particularly with a view to determining the range of disparities between one state and another and to advise ways and means for bringing about such uniformity as may be possible without affecting the financial interests of the parties concerned."[9]

3. Nuclear energy can be used in place of hydel and thermal electricity as is already under implementation as has been shown in Table IV. It is clear that "electricity from nuclear reactors can be obtained without high expenses and without polluting the environment. The raw materials from which nuclear energy can be obtained are widely distributed throughout the world and these materials are the only sources of energy which can be transported even more cheaply than oil."[10]

4. Hindalco introduced process control programme successfully. Table VI gives the performance observed by Hindalco in their plant with and without control programme.

The data given in Table VI speak for themselves. Improvement is seen in all directions, after the process control programme has been in action. Further improvements are also expected. It is suggested that the aluminium companies should introduce such programmes which will help to reduce power consumption and will result in economies in all directions.

TABLE VI

Production and Consumption Data

Sl. No.	Items	Before programme	After programme
1.	Avg. No. of Pots Operated :	50936	51162
2.	Avg. Amperes :	59475	60091
3.	Avg. Volts/Pot :	4822	4794
4.	Avg. Clamp Drop : (MV)	20.6	16.3
5.	Avg. Rod Stub Drop : (MV)	28.4	23.7
6.	Avg. Current Efficiency %	86.91	89.01
7.	Avg. M. T. Production/Day :	212.66	220.81
8.	Avg. D. C. kwh/kg. Aluminium Produced	16.483	16.017
9.	Avg. Net Carbon kg/kg. Aluminium :	0.517	0.496

Source : *Hindalco Journal,* Winter 1973-74, p.21.

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7. *Model Multi-part Tariff* : The effective power rates recommended, delivery at high-tension (H.T.) end, for supply of power to aluminium smelters and at various percentages of the contracted quantity are as follows : (Paise/Unit) : First block (upto 25 per cent), (second block from 25 per cent to 50 per cent), third block (from 50 per cent to 75 per cent), fourth block : (above 75 per cent) Effective rate (for full power) Karnataka 6.00, 6.65, 7.35, 8.00, 7 00; Kerala 6.00, 6 65, 7.35, 8.00, 7.00; Orissa 6.75, 7.50, 8.50, 9.25, 8.00; Tamil Nadu 7.75, 8.50, 9.50, 10.25, 9.00; U. P. 9.50, 10.50, 11.50, 12,50, 11.00; M. P 9.50, 10.50, 11.50, 12.50, 11 00.—*The Economic Times*, New Delhi, July 16, 1975, p. 124.

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Role of fertilizers in agricultural development

Aslam Mahmood &
Qutub Uddin Khan

In this article by Aslam Mahmood, who is an Associate Fellow in the Centre for the Study of Regional Development, School of Social Sciences, Jawaharlal Nehru University, New Delhi and Qutub Uddin Khan, Lecturer in Economics, Dyal Singh College, (University of Delhi), an attempt has been made to study district-wise impact of the use of fertilizers on agricultural development. The authors have come to the conclusion that the level of consumption of fertilizers broadly explains the level of agricultural development in a district. They have also suggested sustained work on these lines.

AGRICULTURE is the major sustenance industry in most of the developing countries, especially of monsoon Asia. Two thirds of the world population lives in these countries which are lagging behind in the race for economic development. India is one of the largest countries in this category. More than 85 per cent of the cultivable land in India is under cultivation and nearly 70 per cent of the active labour force is engaged in agriculture. The high percentage of working force in agriculture reflects not only an inferior level of technology used in agricultural sector but also an overwhelming dependence of the masses on this occupation. The main reason of such a low level of agricultural productivity seems to lie in the past colonial history which was characterised by a gross negligence of the impending economic problem, a situation which not only hampered the progress of agricultural sector but also the over-all economic growth of the country.

unstable growth

In the first half of the twentieth century, the rate of growth of agricultural production was not only very low but highly unstable. The basic reason of the low rate of growth in agricultural production in India is the primitive agricultural technology. The instability in the rate of growth in agricultural production may further be attributed to the vagaries of weather as expressed in droughts and floods, which caused widespread damages symbolised by the recurrent famines.

This should not be construed to mean that the state of agriculture has been uniform all over the country and that no regional contrasts and disparities have existed. In fact, there have been certain areas where the pace of development has been too rapid while the other areas have lagged behind. Thus, on the one hand, we have Punjab, western UP, coastal Kerala etc. as the highly productive areas and on the other hand are the low productive areas of Bihar, Rajasthan and Madhya Pradesh.

Agricultural development is a multiple objective scheme which should ensure a significant net contribution to the capital needs of other sectors of the economy. The nature of this burden has an important bearing on the means of development. Unlike the resources of other sectors of the Indian economy, agricultural resources are far from scarce. The potentialities and uses of these resources also vary from place to place. Thus, a particular and an important aspect of agricultural planning is the understanding of the existing situation and the drawing up of plans which are consistent with the prevailing situation.

Any strategy of agricultural development should, therefore, mean a transformation of the primitive methods of cultivation into modern ones. The available resource base of agriculture can mainly be classified into the following four categories: (1) Land. (2) Water. (3) Labour, and (4) Liquid resources (such as money, credit, commercialization and better inputs).

Regional disparities in agriculture will mainly depend on the distribution of these resources, pattern of their exploitation and ownership of these resources. Out of all the factors, labour and land inputs, indicated earlier, are sufficiently high in India. As pointed out by Mellor :

> "Agriculture is replete with possibilites for increasing production simply by application of increased labour input. At the same time, if technology is static, growth of agricultural labour force causes the marginal productivity of labour to decline if less and less production intensifying practices are applied with bringing the less productive land into cultivation."

This type of agricultural development will result in an insufficient supply of food and nutrients offering a high death rate and poor health conditions to society. It will also hamper the economic transformation of the country from farm economy to non-farm economy. Again in the words of Mellor :

> "For a given tendency for population to expand, the precise pattern of labour supply and productivity will depend on the nature of production function of labour, which in turn is a function of physical qualities of land and capital resources."

In Indian conditions where marginal productivity of agricultural labour is very low, the development of agriculture largely depends on the level of technology used in agriculture. Thus, in a technologically not-so-advanced agriculture, as in India, there are vast opportunities of investment in inputs such as fertilizers, improved qualities of seeds and irrigation facilities for intensifying the processes of development. Even if these opportunities become available, the results will depend on the social interaction. For a traditional farmer, it is very difficult to grasp all these changes, even if he is agreeable to use the modern methods of cultivation. Due to the lack of guidance and poor inflow of technical know-how, the results may not be satisfactory. On the other hand, if a farmer is properly guided and other facilities are properly made available to him, the results will be highly encouraging and impressive.

complex phenomenon

The transformation of primitive agriculture into low-capital technology is a complex phenomenon. It increases the efficiency of the methods of cultivation and enhances the rate of agricultural growth. In this transformation, both the technological and institutional factors are crucial. But in India, programmes of agricultural development do not exhibit a constant pattern of results. They vary from place to place and from one time point to another time point. The consumption of fertilizers, for instance, will depend on a number of factors such as availability of fertilizers with assured water supply, high yielding variety of seeds, pest control, proper guidance, financial assistance to the farmers, price incentives to the agricultural production, literacy, and the rates of diffusion of the ideas to make wise use of fertilizers. Once fertilizers are available with all the necessary requisites, its impact will be reflected in agricultural development. The objective of this article is, therefore, to study the regional variations in the effectiveness of fertilizers in the agricultural development.

As an indicator of agricultural development the present article utilises the index computed by Pal in his project of regional planning. Pal has worked out the indices of development of (i) Agricultural as well as (ii) Non-agricultural sectors. In his index of agricultural development he has taken three variables:

1. $X_1=\log(1+V_1)$: $V_1=$ Agricultural labour productivity in rupees per person.
2. $X_2=\log(1+V_2)$: $V_2=$ Agricultural income per acre of gross cropped area in rupees.
3. $X_3=\log(1+V_3)$: $V_3=$ Percentage of gross irrigated area to the gross area sown.

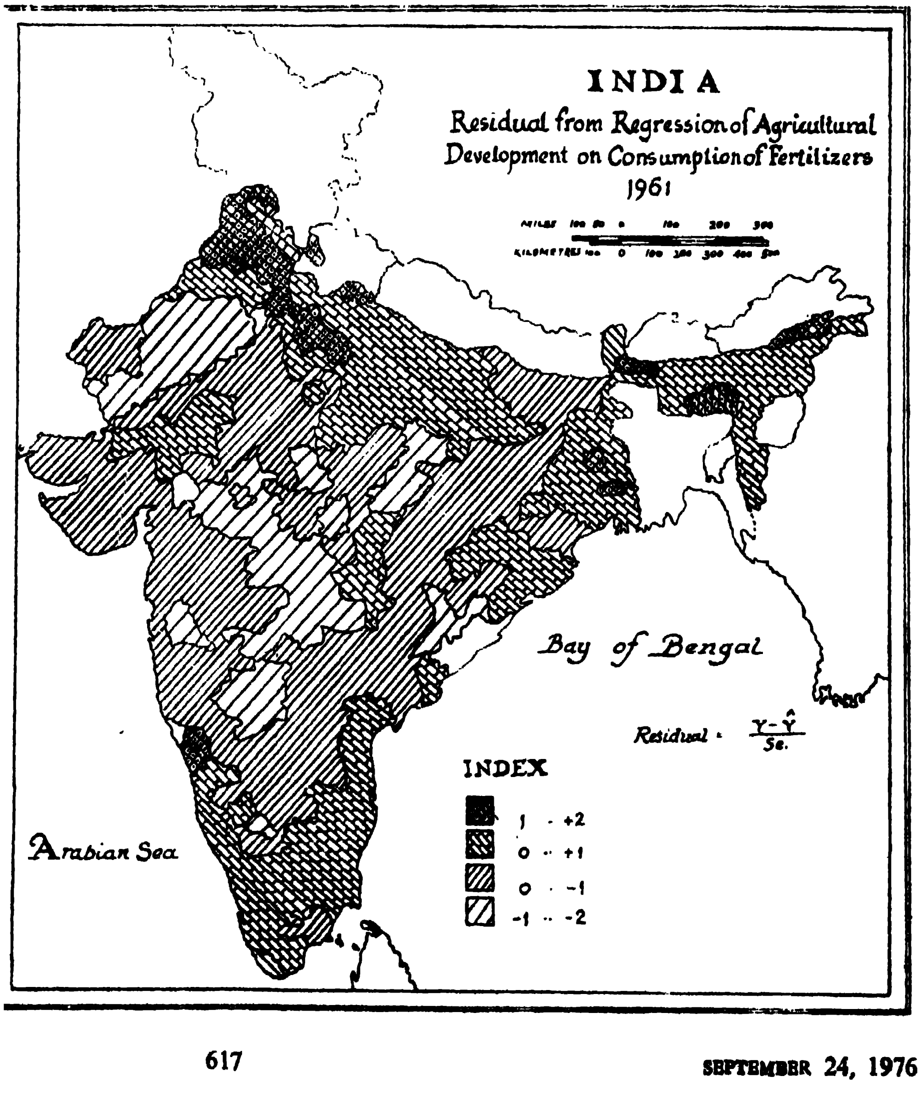
Among all these variables he found a high multicollinearity, so he has extracted the first principal component from this correlated matrix of X_1, X_2 and X_3, which explains 68 per cent of the total variation. This first principal component he has taken as the index of agricultural development (Y) given by

$$Y=0.175854X_1+0.177383+0.101087X_3.$$

So far as statistics on the consumption of fertilizers are concerned the present article is based on the World Bank study, as no official agency in India publishes the figures for district-wise consumption of fertilizers. Doris Brown of World Bank and Donde of the ministry of Food and Agriculture jointly published district-wise break-up of fertilizers consumption for a period of ten years from 1959-60 to 1968-69.

The main hypothesis in this article is that a great deal of agricultural development depends on the consumption of fertilizers per hectare of gross cropped area. Chi-square test was applied to test the association of two attributes, namely the levels of agricultural development and the levels of the consumption of fertilizers. The attributes were classified into three categories for a 3 × 3 contingency table as, (i) less than the first quartile, (ii) from first quartile to third quartile, and (iii) from third quartile and above, as low, medium and high respectively.

After the hypothesis of the dependence of the two attributes was favoured by



INDIA

Residual from Regression of Agricultural Development on Consumption of Fertilizers 1961

MILES 100 50 0 100 200 300
KILOMETRES 100 0 100 200 300 400 500
Bay of Bengal
Arabian Sea
Residual = $\frac{Y-\hat{Y}}{Se.}$
INDEX
1 - +2
0 - +1
0 - -1
-1 - -2

Chi-square test, the basic assumption was that agricultural development (Y) is a linear function on consumption of fertilizers (X) and a set of n factors $x_1, x_2, \ldots x_n$, of the form.

$$Y = a + bx + b_1x_1 + b_2x_2 + \ldots\ldots\ldots + b_nx_n + E \ldots\ldots\ldots (1).$$

Where a, b, b_1, $b_2 \ldots b_n$ are some constants and E is an error term.

Among all these variables the consumption of fertilizers was considered as one of the most important proxy variables, because it alone reflects the effect of many other factors as irrigation, high yielding varieties of seeds, technical know-how and credit facilities etc.

The inclusion of all the (n+1) factors in relationship (1) was not preferred in this study because firstly the investigation and collection of data of all the (n+1) factors was practically impossible; second among all these variables a high multicollinearity was suspected which will not permit use of the least square method of estimation of parameters unless we transform the whole set of independent variables into a smaller set of independent principal components.

main variable

The article, therefore, has chosen the consumption of fertilizers as the main variable, the set of all other factors not explained by fertilizers and error term E as the residual "U". so the equation (1) becomes as :

$$Y = a + bx + u \ldots\ldots\ldots\ldots (2)$$

The least square estimate of this would give us :

$$\hat{Y} = a + bx \ldots\ldots\ldots\ldots\ldots (3)$$

Subtracting (3) from (2) we get the residual "U" i.e.

$$Y - \hat{Y} = U$$

The variation in the residual can be interpreted as the effect of other factors.

Thus for a given amount of fertilizer consumption the residuals will show the deviation of agricultural development of individual district from the mean agricultural development of the districts consuming that given quantity of fertilizer. A positive deviation will reflect the effectiveness of fertilizers mainly due to the impact of other conducive factors which enhance the effectiveness of the fertilizers, such as irrigation, high-yielding varieties of seeds, proper guidance and soil response etc. A negative residual, on the other hand will reflect the ineffectiveness of the fertilizers in the agricultural development. Thus the higher the positive value of the residuals the greater will be the effectiveness of the fertilizers and conversely the higher the negative value of the residual the lesser will be the effectiveness of the fertilizers. After the residuals were computed they were classified according to the properties of the standard errors (SE) of estimate(s). According to this criterion they were divided into the following four categories :

1. From 1 to 2 SE of estimate (High)
2. From 0 to 1 SE of estimate (Medium)
3. From 0 to 1 SE of estimate (Low)
4. From—1 to—2 SE of estimate (very low)

Results: Out of 337 districts and union territories of India in 1961, the data for the consumption of fertilizers was available only for 283 districts. Thus this article had to be confined to these 283 districts. The pattern of the consumption of fertilizers per hectare of the gross sown area is furnished in Table I.

In 12 out of 282 districts, no fertilizers were being consumed and in eight districts the consumption was higher than eight kgs per hectare, and in majority of districts the consumption of fertilizers was within two kg per hectare of gross cropped area.

TABLE I

Consumption of Fertilizers (N & P) Per Hectare of Gross Cropped Area in India (1961)

Consumption of fertilizers (Kg)	No of districts
0-1	171
1-2	60
2-3	16
3-4	12
4-5	5
5-6	6
6-7	5
7-8	8
Total	283

The levels of agricultural development and the levels of fertilizers consumption are given in Table II.

TABLE II

Level of Agricultural Development

	Low	Medium	High	Total
Levels of consumption of fertilizers				
Low	64	12	19	95
Medium	30	17	27	74
High	26	17	71	114
Total	120	46	117	283

The value of the Chi-square test was computed by using the formula where

$$\text{Chi-Square} = \Sigma \left\{ \frac{(f_o - f_e)^2}{f_e} \right\} \text{,where}$$

f_o and f_e are the observed and expected cell frequencies respectively for each cell. The computed value of Chi-Square from the above 3 x 3 contingency table is 53.85, which is significantly higher from the tabulated value of Chi-square for 4 d.f. at 1 per cent level of significance which is 13.28. So the null hypothesis that the two attributes are independent is rejected in favour of the two attributes i.e., consumption of fertilizers and agricultural development.

The results of least square estimate of linear regression of agricultural development on consumption of fertilizers are,

Intercept (a)	Regression Coefficient (b)	
0.994	0.019 (0.004)	r = 0.274*

(The figure in brackets is the standard error of regression coefficient b, which is significant at 1 per cent level).

The residuals of agricultural development from this regression line have been computed and mapped in Figure page 617 according to the categorization mentioned above. Ah analytical study of this residual map shows the following major features:

1. Positive deviation of residual is registered by 49 per cent of the districts arranged in the compact regional units.

(i) The first unit almost consists of whole of Punjab, Haryana and the adjacent Ganganagar, whole of non-hilly Uttar Pradesh and adjoining parts of west Madhya Pradesh and west Bihar.

(ii) The next unit consists of West Bengal and most of Assam and other parts of eastern region.

(iii) The third unit consists of the districts of coastal Andhra, Tamil Nadu. coastal Mysore (Karnataka) and almost whole of the peninsula incorporating Tamil Nadu and Kerala.

outlying fragments

Besides these three contiguous units there are three outlying fragments of positive deviation which are in:

(a) Northern Gujarat and southern Rajasthan.

(b) Chanda, Bhandara and Balaghat districts of Maharashtra and Madhya Pradesh.

(c) Central and eastern Orissa.

Within this zone 9.7 per cent of the residuals are highly positive in the belt extending over Punjab, central Haryana and the central Doab in Uttar Pradesh. Isolated fragments, however, lie scattered in parts of Uttar Pradesh, West Bengal, Assam and Meghalaya. In the south the only district was north Kanara.

The above description of the distributional pattern of residuals makes it possible to identify the nature of causal relationship between the consumption of fertilizers and role of other factors such as availability of irrigation facilities and high agricultural potentialities which enhance the effectiveness of fertilizers and thus explains the above average performance as registered by area. A notable fact which emerges from this analysis is the coincidence between the high positive value of residual and a high percentage of irrigated area or high agricultural potentiality.

Districts with a negative residual lie in a contiguous zone extending over central India from Kutch and Jaisalmer to Chhota Nagpur plateau and over the entire peninsular interior. Barring a few exceptions, there seems an overall causal relationship between the ecologically negative factors and the below average performance. The role of negative factors, such as deficient rainfall or its eccentricities, sandy and unproductive nature of the soil, dissected hilly or upland nature of the terrain, lack of irrigation facilities and the dense forest cover, seems to have been too significant in minimising the effectiveness of fertilizers as an ameliorative agent and as a factor in promoting agricultural development.

The above analysis of the residuals leads to tho following conclusions:

(1) By and large the levels of consumption of fertilizers explain the levels of agricultural development.

(ii) As the behaviour of residual strongly suggests vast deviation from the average performance both negative and positive recorded by districts which are neither characterised (a) by a high agricultural potential as expressed in the juxtaposition of agricultural resources, or (b) by the negative factors which exercise a detrimental role in agricultural development and thus minimising the soil response to fertilizer inputs.

(iii) The present article suggests that more sustained work on these lines would yield fruitful results and further explains the role of negative and positive factors in determining the degree of fertilizer effectiveness in the process of Indian agricultural development.

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RECORDS AND STATISTICS

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World Bank operations at record level

The annual report of the World Bank for 1976 has indicated the new peaks attained by the Bank and its affiliates in lending, disbursements and borrowings. The net income of the Bank during the year under reference however fell by as much as 20 per cent. Discussing the economic affairs of the poorest countries having a total population of 1,000 million, it stated that there was little real growth in per capita terms as all the rise in their Gross National Product (GNP) was absorbed by the increase in population.

WINDOW ON THE WORLD

THE LEVEL of operations of the World Bank and its affiliate, the International Development Association (IDA), set new highs in the fiscal year ended June 30, 1976, according to the Bank's annual report for 1976. Their combined lending for development reached a record $6,632 million, a gain of $736 million over lending in fiscal 1975.

Disbursements by both the Bank and the IDA also reached record levels, as did borrowings by the Bank in the capital markets. Net income of the Bank, however, dipped 20 per cent from fiscal 1975 levels.

World Bank lending in fiscal 1976 was $4,977 milllon, up 15 per cent over fiscal 1975. After adjustment for inflation, however, the rate of increase was nine per cent. IDA, which lends to the poorest developing countries at no interest, made commitments of $1,655 million, a gain, in normal terms, of five per cent, but in real terms, a decline of one per cent below fiscal 1975 amounts. Combined lending by the Bank and the IDA increased six per cent in real terms in fiscal 1976 as compared with the previous year. The fiscal year of the Bank covers the 12 month period, July 1 to June 30.

Disbursements by the Bank were up $475 million to $ 2,470 million; disbursements by the IDA, of $1,252 million, were $226 million higher than in the previous year. Disbursements by the Bank since the start of its loan operations in 1947, have totalled almost $20,000 million. The Bank's annual report lists an expanded loan programme, inflation, and the development of more effective techniques in administering loans and projects as the most likely reasons behind the institution's increased level of disbursements. Disbursements for the five years ended June 30, 1976, were more than double the volume for the five preceding fiscal years.

Fortyone issues, aggregating $3,811 million, were sold by the Bank in fiscal 1976, of which $2,331 million, or nearly two-thirds, were publicly offered or privately placed in the investment markets of West Germany, Kuwait, the Netherlands, Switzerland, and the United States. A further $1,351 million of issues were placed with central banks, other government agencies, and with international organisations. Borrowings from the Interest Subsidy Fund that supports the Third Window totalled $129.5 million.

The US market was the largest source of borrowed funds to the Bank in the year, with sales of $1,275 million of its obligations. Included was the largest ever public offering of World Bank securities—$750 million of notes and bonds sold to investors through a nationwide syndicate of investment banking and dealer firms.

In fiscal 1975, borrowings by the Bank were $3.510 million.

decline in yields

Net income of the Bank for fiscal 1976 was $220 million, a decrease of 20 per cent, or $55 million, from the previous year. According to the annual report, the decrease was mainly due to the increased cost of servicing the Bank's debt and to a decline in short-term yields on investments.

During the year, several steps were taken to solidify the Bank's financial position in the years ahead. These steps, detailed in ths report, included transmitting resolutions to the Bank's board of governors authorising an increase in capital, a hike in interest rates, and a hardening of loan repayment terms.

The capital structure needed to support future Bank lending was reviewed in fiscal 1976. The review indicated that an increase in the Bank's capital was necessary. Accordingly, two resolutions were transmitted to the board of governors. One provides that the Bank's authorised capital be increased by $8,444 million (in current dollars) to $41,016 million; the other, that up to $8,340 million of selective increases to the Bank's capital stock be allotted to 125 member countries.

Approval of the resolution to increase authorised capital will require affirmation by three-fourths of the voting power in

Money figures are expressed in US dollar equivalents.

the board of governors. The resolution allotting selective increases in subscriptions will require a simple majority of votes cast for approval.

In the event the selective capital increase is approved and subscribed in full, the following changes in voting strength, by categories of countries, would result: The five largest shareholders (United States, United Kingdom, West Germany, France, and Japan), down 2.18 per cent to 42.56 per cent; other developed countries down 0.58 per cent to 18.79 per cent; non-oil developing countries down 1.38 per cent to 29.43 per cent; and petroleum-exporting developing countries up 4.44 per cent to 9.22 per cent.

Given the amount of the proposed increases in the Bank's capital, and, as a result of actions taken during the fiscal year, a level of lending by the Bank for fiscal 1977 and beyond of some $5,800 million could be sustained.

In fiscal 1976, it was agreed that effective July 1, 1976, a new formula for calculating the rate of interest on the Bank's loans would be employed. This decision resulted from an extensive review of the Bank's financial requirements. Prior to the introduction of the formula, the Bank's lending rate was raised, on an interim basis, to 8.85 per cent for the period June 1-30, 1976. The rate had been 8.5 per cent since January 1975.

new formula

The new formula provides that the Bank's lending rate is to be reviewed at the end of each quarterly period and adjusted to the average weighted cost of funds borrowed in the preceding 12 months. To this calculation, a positive spread of 0.5 per cent is to be added to arrive at the interest rate the bank will charge borrowers on new loans submitted to the executive directors in the ensuing quarter.[1]

Under the Bank's articles of agreement, outstanding loans cannot exceed the sum of its unimpaired subscribed capital, reserves, and surplus. To help assure that the Bank's future lending programme does not breach this statutory limitation, it was decided in fiscal 1976 to modify the method of amortising loans. The modification, which affects loans submitted for approval after June 30, 1976, will result in the loan principal being repaid in equal semi-annual amounts, rather than in gradually ascending amounts, over the amortisation period. It was also decided that the Bank would manage repayment terms of future loans so that the weighted average grace period and final maturity do not exceed the equivalent of 3.8 years and 19 years respectively.

the Third Window

An intermediate financing facility, commonly called the "Third Window," was established in fiscal 1976 to enable the Bank to provide loans on terms intermediate between its own and those of IDA. It became operational in December 1975, when pledges of $100 million in contributions to an interest subsidy fund for the Third Window had been received.

The fund's resources are supplied, on a voluntary basis, by some of the Bank's member countries and by Switzerland, a non-member. From its resources, the fund pays the Bank an amount equal to four per cent a year on the outstanding principal of loans made on Third Window terms. The difference between the four per cent paid by the subsidy fund and the Bank's standard rate of interest is paid by the borrowers.

Eleven countries had contributed $125 million to the fund by June 30, 1976, an amount sufficient to subsidise some $600 million of Third Window loans. On that date, total lending through the facility stood at $477.8 million. Lending on Third Window terms is largely limited to countries with per capita incoms of under $375 a year.

Developing countries, except for the very poorest, maintained high average rates of growth during 1974 and 1975. This achievement took place despite the combination of world recession and inflation that threatened to leave the economies of these countries in disarray.

The Bank's report said, the annual growth of Gross Domestic Products (GDP) of all developing nations, excluding oil-exporting countries, averaged 5.4 per cent between 1973 and 1975. The annual average was 6.0 per cent in the previous five years. Higher-income developing countries recorded a growth rate of 6.4 per cent during the years 1973-75, and strengthened their foundations for future expansion.

But among the poorest countries, mostly in Asia and in Africa south of the Sahara, and containing more than a billion people, the annual growth rate was only 2.8 per cent. Growth was, therefore, nearly offset by the increase in population, and there was little real growth in per capita terms.

In the past three years, the World Bank says, many of the poorer countries sought resolutely to face their economic problems, for example, by initiating tax reforms, adjusting the domestic prices of petroleum and food, providing incentives to stimulate agricultural production, and adjusting exchange rates.

In Kenya, for instance, the government adopted a wage and price policy to limit growth in private consumption for all but the lowest-income groups. Prices paid to farmers for food were raised and export incentives introduced. Project preparation for public investments was improved; and the currency devalued,

In Burma, procurement prices for paddy were greatly raised so that the area under rice increased by six per cent in 1976. State economic enterprises began to be reorganised; and a drastic tax reform for mobilising resources was enacted in early 1976.

individual efforts

The report notes that the record of reforms initiated by developing countries in recent years abounds with such examples. They include attempts to reduce oil consumption and improve oil and coal production (India), encouragement of additional private savings (Pakistan), alignment of domestic prices with international prices through cutbacks in consumer subsidies (Senegal, Brazil), increases in public investment (Morocco), adoption of conservative monetary and credit policies to reduce inflation (Indonesia, Malaysia, the Philippines), adoption of fiscal reforms to improve social equity (Colombia), increases in prices paid to agricultural producers (Zambia), and increases in taxes (Mexico, Costa Rica).

Implementation of the reforms initiated by developing countries has posed new problems: for instance, in attempting to protect the very poor while maintaining incentives for farmers without straining the budget: or in holding wages more closely in line with productivity.

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[1] On July 1, the Bank's lending rate, as calculated by the new formula, was raised to 8.9 per cent.

The World Bank's report states that the continued growth in developing countries was helped by an increase in agricultural production— due largely to good weather — and by a heavy increase in external borrowing in the better-off developing countries. Some of the poorest nations could not attract enough capital from abroad to sustain their growth, however.

The impact of the world recession, the report adds, was not fully felt by most developing nations until 1975, when the industrial nations' demand for imports fell by nearly 10 per cent in volume. In addition, commodity prices dropped, while prices of manufactures imported by the developing countries rose

The report notes that an upturn in economic activity in some industrialised countries in 1975 and early 1976 will lessen somewhat the difficulties still to be faced by the developing countries.

The long-term prospects for adequate supplies of food in the developing countries are not bright. By 1985, the report says, about 77 million tonnes might be needed to fill the gap between domestic production of foodgrains and demand. Many food-deficit countries in the developing world, especially in south Asia and Africa, may have to spend up to 30 per cent of their projected export earnings on food imports.

accent on agriculture

The World Bank committed $1,627.6 million in assistance to the agriculture and rural development sectors in fiscal 1976, the report states. Most of that assistance was earmarked for the purpose of increasing food production. The commitment is expected to benefit directly about 16 million people. An equal number of people are expected to benefit from the previous year's commitment for the same purpose. Of these 32 million potential beneficiaries, about 80 per cent are among the poorest people in the developing world.

The better-off developing countries were aided in the past two years by the fact that they had access to commercial capital. They were able to manage substantial trade deficits as they maintained or increased imports. The report notes that in the single year 1974 the external public debt of developing countries rose by $29,531 million to $151,399 million. The rise of 24.2 per cent is to be compared with one of 20.4 per cent in the previous year.

Lending from private sources increased substantially in 1974. Of the $96,680 million owed to all creditors by oil-exporting nations and other higher-income developing countries, $44,385 million (or 45.9 per cent) was owed to private lenders. Most private lending was in the form of bank loans and supplier credits.

Much of the new debt has been incurred by the industrialising countries of the developing world so as to maintain their investment, use industrial capacity more fully, and avoid the economic and social losses that would otherwise have occurred. The Bank expects these countries to return, after a period of adjustment, to growth rates close to those of former years.

aid flows

Total flows of resources to developing countries from the industrial nations rose 40 per cent and reached a record $37,461 million in 1975, according to the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development.

If grants by private agencies of $1,371 million are included, the total net flow of $38,832 million was equal to 1.02 per cent of the combined Gross National Product (GNP) of those industrial countries which are members of DAC.

This is the first time that the one per cent target adopted by the United Nations for all flows of development assistance, official and private, has been reached.

development assistance

Official aid amounted to $13,606 million in 1975—20 per cent above the 1974 figure in dollar terms but only 10 per cent higher in real terms. Thus, the fall in "real aid" in 1972 and 1973 was reversed. As a proportion of the combined GNP of DAC members, official development assistance rose from 0.33 per cent in 1974 to 0.36 per cent in 1975.

Estimated commitments by members of the Organization of Petroleum-Exporting Countries (OPEC) rose to $9,033 million in 1975, against $8,575 million in the previous year. In 1973, the amount had been only $1,469 million. About 46 per cent of estimated net disbursements by OPEC countries in 1975 were on concessionary terms.

For the poorer countries, the availability of external resources on concessional terms continues to be vital if they are to achieve their long-term development goals.

India received $894 milion from the World Bank and its affiliate, the IDA during the fiscal year ended June 30, 1976,

Eastern Economist 30 Years Ago

SEP. 27, 1946

Foreign policy, were it merely a matter of politics, could safely be left to the professionals, who play that game. It is not merely that our very lives and fortunes are periodically and terribly affected in almost every material particular by wars, caused by the foreign policies of the Big Powers, but that these foreign policies have even in normal times more than a mere political connotation. Securing of markets, raw materials, investments, loans, foreign exchange, economic concessions, control of supplies of strategic minerals, oil, of a country's transport and power systems, imposition upon other people of one's political or economic philosophy—these are today the objectives of Big Power foreign policy. This is the explanation of the terrible furore caused by such incidents as Mr Churchill's Fulton speech or the recent Wallace affair.

In the development of this conception of foreign policy, as in all other matters of world economic and political significance, the British have played a pioneering part. During the last 200 years, it was common practice for the British Foreign Office to send out agents abroad, who would sneak their way into the policies of foreign countries and by persistent seeking of economic concessions, supported by the whole weight of British naval and political power, undermine the very sovereignty of foreign governments. Their cousins across the Atlantic, due to the peculiar origin of their Republic, avoided the politics of the British Empire, but perfected its economic technique whose working can now be seen in its fullness in the U.S. control of South American economic life and the turbulent nature of their politics.

according to the annual report of the World Bank. The year's lending in $54 million more than the $840.1 million committed during fiscal year 1975.

The bulk of the Bank/IDA lending for economic development in India has been on concessional terms. About $684 million of the total during the past fiscal year has come from IDA. The Association's credits have been for 50 years, free of interest, but carry a service charge of 3/4 of one per cent. A loan of $145 million is on the Bank's "Third Window" terms—carrying an interest rate of 4.85 per cent, with an additional four per cent being paid to the Bank by the Interest Subsidy Fund, representing the difference between the Bank's standard interest rate and the charge to India. The balance of $65 million was at 8.85 per cent per annum.

The table below summarises Bank/IDA lending in India in fiscal year 1975.

The report refers to the Indian bumper harvest of 116 million tons and its favourable impact on the economy. Other agricultural commodities also reached new production peaks. In addition, more fuel, cement, coal, steel, and other basic commodities became available; transport problems also eased. The increased supplies, together with controls on demand, enabled the government to control inflation.

"While India seems to have weathered its short-term problems, it continues to face major, long-term challenges. Population remains high, and the task of implementing programmes to raise the productivity of millions living in poverty continues to be difficult. In response to these challenges, the government substantially increased its development expenditures (90 per cent of its total capital formation, or about $12,000 million, is financed through its internal resources). Particular emphasis was placed on agriculture and energy. Population control continues to be a special concern of policy, as reflected in India's large family planning programme," the report added.

"Economic conditions in South Asia were considerably better in the year ending June 1976 than in the preceding three years—the severe blow dealt by the spurt in the prices of oil, food, fertilizer, and other essential imports in fiscal 1974 notwithstanding," the report says.

World Bank and IDA Lending to India in 1976

(Amount in $ million)

	World Bank	IDA
Rural Electrification	—	57.0
Water Supply and Sewerage (Uttar Pradesh)	—	40.0
Indian Railways	—	110.0
Fertilizer Production	—	105.0
Technical Assistance—Forestry	—	4.0
Electric Power Transmission	—	150.0
Cotton Production	—	18.0
Industial Imports	—	200.0
Development of Irrigation and Command Areas (Andhra Pradesh)	145.0 (Third Window)	
Industrial Development Bank of India (IDBI)	40.0	—
Seed Production	25.0	—
Total	210.0	684.0

"There were several reasons for improved economic conditions. The most important was the good monsoon, which resulted in ample harvests in most countries of the region. Thus after several poor agricultural years, food supplies increased substantially. Larger food supplies together with strong financial stabilisation efforts initiated by most governments, were effective in stopping or slowing inflation for the first time in several years. Increased foreign financial support to the region from both multilateral and bilateral sources, including OPEC (Organization of Petroleum-Exporting Countries) funds for some countries in the region also helped efforts to tackle terms of trade problems," the report adds.

fundamental problems

The report also notes that the improved economic conditions of the past year should not, however, obscure the fundamental development problems of the region. Nor should they be allowed to distract attention from world price changes, which aggravated investment problems by causing large deficits and by increasing the already heavy debt burden in the region. (The effects of the price changes can be measured by the sudden and marked increase in the region's aggregate trade deficit in fiscal 1975 to some $4,500 million, a five-fold increase over fiscal 1973).

The report said: "The world's most populous region, South Asia faces enormous development problems. The population has been increasing at two per cent to three per cent a year, and close to half the 'absolute poverty' among the Bank's member countries is concentrated here. Productivity is particularly low and years of effort have shown only modest growth in productivity. Few gains have reached the very poor."

In fiscal 1976, the Bank and the IDA provided $1,349.2 million for development projects in six South Asian countries —Bangladesh, Burma, India, Nepal, Pakistan and Sri Lanka.

Courtesy: World Bank.

Federal Republic of Germany: growth without inflation

In this review of the West German economy prepared by the European Department of the International Monetary Fund (IMF), it has been shown that the current recovery, unlike past ones, has been generated domestically rather than through demand for exports. Unemployment fell because of the return of 400,000 migrant workers to their own countries. To top all, the rate of rise in prices dropped while there was a sharp upturn in production.

Following the strong recovery that was confirmed in the first quarter of 1976, the economy of the Federal Republic of Germany has continued on an upward but moderating course that promises to be sustainable without regenerating price inflation. Since the performance of West Germany is an important element in the revival of industrial economies from the deepest recession since 1945, the country's economic management over the past three years and its immediate prospects are here reviewed.

Faced in the spring of 1973 with strong inflationary pressures, the West German authorities were among the first to move toward severe policies of restraint. Price rises had gathered momentum during the upturn that began in mid-1972 under the impetus of a strong upsurge in exports, booming construction activity, and a fast expansion of money supply. Tight monetary and fiscal policies curtailed domestic demand substantially after the first quarter of 1973, but export growth continued, stimulated by inflation prevailing in countries to which West Germany exports.

collapse of boom

The slowdown in domestic economic activity was aggravated by the sharp rise in energy prices at the end of 1973, and after the export boom collapsed in mid-1974, the West German economy moved into its worst recession in the post-war period ahead of most other countries. Between the second half of 1974 and the first half of 1975, real Gross National Product (GNP) fell at a seasonally adjusted annual rate of seven per cent.

The turnaround began last summer, and a notable feature was that the initial impetus for the recovery was essentially provided by stimulatory domestic policies. In the past, economic upswings in West Germany have generally been led by the expansion of exports. However, expansionary monetary and fiscal policies in 1975 sustained the growth of private consumption and supported investment, mitigating the effects of the sharp fall in exports and the large increase in the savings ratio. In the second half of the year, the improvement in confidence brought about a decline in the savings satio and the rebuilding of inventories.

resurgence of exports

The upswing was further strengthened late last year and in early 1976 by a marked resurgence of exports and a recovery in fixed investment. West Germany was among the first of the major industrial countries to recover from the world-wide recession, lagging only a few months behind the United States. The recovery firmed throughout the first half of this year, as seasonally adjusted GNP rose at an estimated annual rate of 9-10 per cent from the second half of 1975. By this June, industrial production, seasonally adjusted, had increased by 13 per cent over its low of July, 1975, and was less than one percentage point below the previous peak, reached in May 1974.

To contain upward pressures on prices and wages, the authorities have in the recent past relied primarily on fiscal and monetary policies and on efforts to increase competition. They have opposed direct price and wage controls and have sought to persuade the business community and labour unions, in the framework of "concerted action", to exert moderation in pricing and in wage settlements. The boom of late 1972 and early 1973 severely strained productive capacity and quickened the pace of wage and price increases. Although the restrictive monetary and fiscal policies introduced in the spring of 1973 led to a prompt drop in capacity utilisation, expectations of accelerating inflation continued, and were heightened by the sharp rise in the price of oil and other raw materials toward the end of 1973.

rise in price index

The cost of living index rose by seven per cent on an average in 1974, the highest rate for the past quarter of a century. By taking early action to cool the overheating economy and then by mintaining a tight money policy until inflationary fears were allayed in late 1974, the authorities succeeded in reversing the price trends, with the average increase in the cost of living decelerating to six per cent in 1975, next lowest to Switzerland for the year.

The breaking of inflationary expectations also had a marked impact on labour costs. Contracts made in the early months of 1975 provided wage increases of the order of six to seven per cent, sharply down from settlements a year earlier. Although cost pressures continued to be strong as productivity declined at the beginning of 1975, they eased considerably in the course of the year, with productivity improving. The average increase in unit labour costs decelerated from almost nine per cent in 1974 to somewhat more than seven per cent in 1975.

Employment suffered with the marked

deterioration in economic activity, and from the spring of 1973 to the middle of 1975 the seasonally adjusted unemployment rate rose from one per cent to 5.3 per cent of the dependent labour force. On average, the number of unemployed persons in 1975 was more than double that of the previous recession in 1967. In addition, there was a strong increase in the number of workers employed less than full time. Unemployment would have been even worse had it not been for the return of some 400,000 foreign workers to their home countries between the spring of 1973 and the middle of 1975.

stabilisation policy

The use of fiscal policy for stabilisation was significantly facilitated by the adoption of the Stabilization and Growth Law in 1967. This law, which set price stability, a high level of employment, external equilibrium, and steady economic growth as the four principal economic policy objectives (having equal priority), enabled the fiscal authorities, with the approval of parliament, to vary at short notice public expenditures and revenues in an anticyclical manner. The Federal government was authorised to change, on the basis of an abbreviated legislative procedure, income and corporate taxes by an amount up to 10 per cent for the duration of one year and to take other anticyclical measures. The law also required the Federal and Lander governments to provide for the formation of anticyclical reserves to be kept with the Deutsche Bundesbank. With the enactment of this law, the authorities were provided with an efficient set of instruments to moderate cyclical fluctuations.

The possibility of pursuing an effective monetary policy was greatly enhanced in March 1973 by the floating of the Deutsche mark against currencies outside the European Common Margins Agreement. At the same time, the Deutsche Bundesbank modified the conduct of its monetary policy by setting as its chief operating target the growth of central bank money (defined by the Bundesbank as the sum of currency in circulation and minimum reserves at constant reserve ratios) rather than the free liquid reserves of the banking system.

The comprehensive fiscal stabilisation programmes introduced in February and May 1973 included measures to curtail the growth of private expenditures, especially business investment and homebuilding. The Bundesbank vigorously reinforced this policy by limiting the supply of central bank money. To this end, the Bundesbank consistently applied traditional monetary policy instruments to offset unwanted inflows of liquidity arising from exchange market interventions in support of currencies in the Common Margins Agreement. In response, interest rates rose sharply and the growth of monetary aggregates slowed considerably.

Because of the sluggishness of domestic demand and the envisaged effect of higher oil prices, most restrictive fiscal measures were lifted in December 1973. From then through early 1976, additional fiscal stimulus was used to spur economic activity and to alleviate unemployment. The fiscal packages introduced in this period mainly included additional expenditures for public investment and labour market subsidies, an investment grant to enterprises, the reform of the income tax and family allowance system, and special support to the construction sector. These countercyclical measures, coupled with tax shortfalls and a marked increase in unemployment and short-time work compensation significantly affected public finances, which moved from a surplus of 1.5 per cent of GNP in 1973 to a deficit of six per cent of GNP in 1975.

Restrictive monetary policy was not relaxed until inflationary expectations died down at the end of 1974. In December 1974, the Bundesbank announced a monetary policy objective of an eight per cent increase in central bank money in 1975 compared with an increase of six per cent in the previous year. In spite of strong public sector borrowing throughout 1975, the expansionary action of the Bundesbank and relatively weak private credit demand for most of the year led to a sharp decline in interest

TABLE I

Federal Republic of Germany : Resources Supply and Demand

	1973	1974	1975	1976*
Supply		(percentage change in volume)		
Gross National Product	5.1	0.4	—3.4	7.0
Imports of goods and services	10.3	4.8	0.7	12.0
Demand				
Private consumption	2.7	0.2	2.2	4.0
Public consumption	4.1	4.7	3.3	2.0
Gross fixed investment	0.6	—8.1	—4.8	6.5
Exports of goods and services	16.9	13.3	—8.9	11.0
Memorandum Items :		(percentage change)		
Industrial production	6.9	—1.4	—6.3	9.5
Cost of living	6.9	7.0	6.0	5.0
		(per cent)		
Unemployment as percentage of dependent labour force	1.3	2.6	4.7	4.3
Savings as percentage of disposable income	14.2	15.2	15.9	14.0

IME staff forecast.

Source : Deutsche Bundesbank, Monthly Report and Supplement 4; Statistisches Bundesamt, Wirtschaft and Statistik: and IMF staff estimates.

rates. The increase in the stock of central bank money in 1975 was somewhat in excess of the target, mainly as a result of a rapid expansion at the end of the year when there was a marked upsurge in private credit demand.

Owing to the divergence in the growth of exports and imports, the 1974 balance of payments surplus on current account rose to an unprecedented high level of DM 25 billion (SDR eight billion), more than 2.5 per cent of GNP. This was mainly a reflection of the persistently strong inflation in other countries through 1974 when slack demand already prevailed in West Germany. When West Germany's trading partners subsequently dropped into severe recession, the effect on German trade was compounded by its particular export structure, with its heavy emphasis on investment and intermediate goods, and the result was a marked decline in exports in 1975 for the first time in the post-war period. After the record gain of market shares of seven per cent in 1974, West German exporters suffered a loss of market shares of six per cent in 1975. Since its domestic demand held up reasonably well despite the fall in real GNP, West Germany was the only major industrial country to experience a rise in import volume in 1975, and the surplus on current account fell to DM 9.5 billion, less than one per cent of GNP.

favourable effects

It is difficult to find evidence of an impact of exchange rate and cost and price movements on the trade balance. If there were such effects, they were obscured by favourable cyclical effects for West Germany in 1974 and unfavourable ones in 1975. The initial deterioration in the competitive price position of West German exports as a result of the marked effective appreciation of the Deutsche mark in 1973 has subsequently been offset by more favourable cost and price developments in West Germany than abroad.

While there was a significant increase in 1973 in the Bundesbank's net foreign assets, in 1974 and 1975 surpluses on current account were on an average almost fully compensated by net capital outflows—an outcome that was fostered by exchange rate and relative interest rate developments. Exchange market interventions by the Bundesbank throughout 1974 and 1975 were moderate, and market forces were largely reflected in fluctuations of the exchange rate. Interventions for currencies outside the Common Margins Agreement have been confined to smoothing erratic fluctuations and countering temporary bandwagon movements. The effective appreciation of the Deutsche mark was more than nine per cent from March 1973, when the currency began to float, to the end of 1975.

Some of the uncertainties concerning the pace and duration of the recovery from the recent recession, notably those relating to the strength of foreign demand, are now much reduced. The present official forecast of a six per cent growth in real GNP appears to be the lower limit of the possible outcome in 1976, notwithstanding the fact that in the second quarter of the year the upswing lost some of its impetus.

The more moderate pace of growth, which is expected to be maintained through the second half of 1976, improves the prospects for a continued recovery without an imminent renewal of price pressures. Gradually increasing capacity utilisation and growing profits have improved the outlook for a further strengthening of business investment, even though the stimulative fiscal programmes lost most of their impact by the middle of the year. With the revival of production, capacity utilisation in industry had improved by somewhat more than five per cent by the first quarter of 1976 from its low point in the third quarter of 1975; however, considerable slack in the utilisation of both plant capacity and labour still exists.

While it is largely a cyclical problem, regaining full employment may also have longer-term implications. The decline in investment and the increase in the rate of obsolescence that occurred in recent years have diminished the capital stock growth rate, and the concern remains that the

TABLE II

Federal Republic of Germany : Monetary Survey

	1973	1974	1975
	(period averages, change in per cent)		
Monetary base	10.4	6.3	9.7
Central bank money*	10.5	6.2	7.9
Money (M1)	5.8	5.4	14·0
Money plus quasi-money (M2)	17.9	7.4	—0.4
M2 plus savings deposits at statutory notice (M3)	12.0	7.8	7.6
Bank Lending to:			
Domestic nonbanks of which :	13.5	8.2	7.9
Public authorities	9.6	12.2	26.4
Private nonbanks	14.3	7.5	4.4
Interest Rates			
Three-month market rate	12.1	9.9	5.0
Bond yield	9.2	10.6	8.7

Bundesbank definition : Currency in circulation plus minimum reserve requirements on domestic bank liabilities at constant reserve ratios.

Source : Deutsche Bundesbank, Monthly Report and Supplement 4; and IMF staff calculations.

current economic upswing could run into bottlenecks in the use of plant capacities before unemployment is reduced to satisfactory levels. The authorities are, therefore, concerned about the need to improve the investment climate in the longer term. They are encouraging a shift in income distribution back toward profits, and are seeking to ensure that private investment is not crowded out by public expenditure.

Although the seasonally adjusted unemployment rate declined to 4.6 per cent of the dependent labour force in July 1976, this was mainly the result of a reduction in domestic participation rates and a return of more foreign workers to their own countries. Also, short-time working has been reduced significantly. Employment continued to decline up to the first quarter of 1976, and it was only in the following quarter that enterprises begin to hire new personnel. It thus seems probable that the seasonally adjusted rate of unemployment at the end of 1976 will still be about four per cent.

deceleration trend

Price increases continued to decelerate during the upswing, and the increase in consumer prices had declined to an annual rate of 4.1 per cent by July. The rate of increase for all of 1976 is expected to fall slightly below five per cent. Since productivity is continuing to improve markedly and the wage agreements concluded at the beginning to the year provide for moderate wage increases on the order of five to six per cent, unit labour costs in industry are likely to show a slight decline.

In an effort to encourage the required shift in the distribution of resources from the public sector to private investment, the authorities announced in September 1975 a programme to consolidate the public sector accounts. By keeping expenditure growth at a more moderate level and by raising some revenues over the coming years, the intention is to reduce the deficit gradually to ½—1½ per cent of GNP by 1979. In 1976 a slower growth of public expenditures and a significant acceleration in the rate of increase in revenues, is expected to cut the financial deficit to about five per cent of GNP, compared with last year's six per cent of GNP. Since the reduction is largely cyclical, the public sector is likely to exert about the same expansionary effect this year.

To secure adequate monetary expansion for longer-term economic growth and still contain the rate of inflation within narrow limits, the Bundesbank in December 1975, announced its monetary objective. setting as its target for 1976 an average increase in central bank money of eight per cent. On May 1 and again on June 1 1976, the Bundesbank raised the minimum reserve requirements to offset the impact of the strong inflow of foreign exchange in the previous months. In the first seven months of 1976, the stock of central bank money was 9.2 per cent higher than in the corresponding period of 1976—and slightly in excess of the official target. Owing to the relative weakness of private credit demand, interest rates continued to decline until April 1976, when they began to firm. They may be expected to rise further this year.

In the first half of 1976 there was a strong rise in both exports (a seasonally adjusted annual rate of 21 and 20 per cent, respectively). Although the balance of payments surplus on current account was weaker than in the first half of 1975, for 1976 as a whole it will probably not be much smaller than in 1975. With the firm recovery of the world economy, export markets are expected to grow vigorously and West German exporters may again achieve a gain in market shares. They are likely to further improve their competitive price position in the light of expected cost and price developments in West Germany and abroad, despite the effective appreciation of the Deutsche mark by more than 47 per cent in the first half of 1976..

TABLE III

Federal Republic of Germany : Balance of Payments

	1973	1974	1975
	(billion deutsche mark)		
Trade balance*	32.3	49.2	35.2
Travel, net	—11.5	—12.2	—13.9
Other services, net	6.5	4.5	4.9
Private transfers, net	—9.5	—9.3	—8.2
Official transfers, net	—6.4	—7.1	—8.9
Current account	11.5	25.1	9.5
Long-term capital, net	13.0	—5.8	—16.6
Short-term capital, net†	2.0	—21.3	4.9
Change in valuation of reserves	—10.3	—7.2	5.5
Change in official reserves (increase in assets—)	—16.1	+9.1	—3.3
	(million SDRs, end of period)		
Memorandum Items :			
International reserves	27,497	26,461	27,510
	(period averages)		
Deutsche mark per SDR	3.1860	3.1167	2.9874
Deutsche mark per US dollar	2.6725	2.5919	2.4605
	(May 1970=100)		
Effective exchange rate**	119.3	125.5	127.6

* Including supplementary trade items. † Including errors and omissions. ** Based on multilateral exchange rate model of the IMF.

Source : Deutsche Bundesbank, Monthly Report and Supplement 3; and IMF, International Financial Statistics.

Courtesy : *IMF Survey* (September 6, 1974)

TRADE WINDS

Economic Census in Unorganised Industries

A COUNTRY-WIDE economic census is being launched by the Central Statistical Organisation to ascertain the structure, activities and performance of the unorganised sectors. It will cover mining, manufacturing, trade, transport, construction and services sectors. Lack of adequate information in these areas has hitherto been a serious handicap in regional and district level planning and in the estimation of state and national income, and also in the identification of the backward areas/districts. The proposed economic census, estimated to cost about Rs 3.5 crores, is a major step in streamlining the existing statistical system. It is of the same significance as the population and agricultural censuses and is essential for formulating Plan policies. So far, attempts to organise surveys of small industries, distributive trade, etc., have been partial and sporadic.

Integrated Census

An integrated economic census, now proposed, is an essential step, to provide the requisite information for planning, administration and the compilation of national accounts.

The economic census will cover over two million establishments, employing one or more hired workers in the rural and urban areas. It seeks information on basic characters such as location, ownership, type of activity, number of persons employed and the value of output or turnover for each establishment. The census will be followed by detailed sample surveys in a phased manner. These will provide district level estimates of the quantity and value of inputs and outputs, investments, employment and emoluments for different sectors. The whole programme of census and surveys is expected to be completed in a period of three years. The main census will be taken up towards the middle of next year. A technical advisory group of statisticians and economists which met in Delhi on September 8 and 9, discussed the technical and operational details of the programme.

Oil Exploration: India Sri Lanka Cooperation

The minister for Petroleum, Mr K.D. Malaviya and the visiting Sri Lanka minister for Industries and Scientific Affairs, Mr T.B. Subesinghe, had a discussion on matters of mutual interest relating to development of oil industry in the two countries, particularly oil exploration. Welcoming the Sri Lanka minister, Mr Malaviya said that India would be always prepared to offer to Sri Lanka any help it can give to develop their oil industry. Both the countries were currently engaged in onshore and offshore exploration of oil and India would be quite willing to a mutual exchange of geological and scientific information. India would be glad if such an exchange could lead to a better investigation of prospective oil-bearing sediments in Sri Lanka. Mr Malaviya said that India would be glad to be of assistance in training Sri Lanka petroleum technicians and would be prepared to make available such oil exploration equipment that India manufactures itself. A proposal was mooted from the Sri Lanka side which included the managing director of the Sri Lanka Petroleum Corporation, Mr G.F.P. Withana, that the Sri Lanka Trincomalee harbour could be developed to serve as a supply base for oil exploration activities for use of both the countries.

Customs and Excise Advisory Council

The Customs and Central Excise Advisory Council has been reconstituted. The minister of Revenue and Banking will be the chairman of the council. Among the members will be two members of Parliament, one from each house. They are Mr R.K. Sinha, M.P. from Lok Sabha and Mr Ahmed Hossain Mondal, MP from Rajya Sabha. The council will have six ex-officio members. They are president, Federation of Indian Chambers of Commerce and Industry; vice-president, Federation of Indian Chambers of Commerce and Industry; president, Associated Chambers of Commerce and Industry of India, president, All-India Manufacturers' Organisation: president, All India Importers' Association; and president, All India Exporters' Chamber. Not less than seven members will be nominated by the government from time to time. Presently, the nominated members will be Mr J.B. Shah, Bombay; Mr Swaraj Basu, Delhi: Mr T.N. Viswanatha Reddy, Hyderabad; Mr A.M.S. Ganesan, Sivakasi (Tamilnadu): Mr G.P. Goenka, Calcutta; Mr Madhav Prasad, Lucknow; Mr Santanu Roy, Calcutta and Mr O.M. Khosla, Calcutta. The other members of the council are: Director General, Bureau, of Public Enterprises, who will represent the interests of the public sector undertakings; Finance Secretary; Chairman, Central Board of Excise and Customs; all members of the Central Board of Excise and Customs and Gold Control Administrator. One of the secretaries or directors to the Central Board of Excise and Customs will act as secretary of the council. The term of office of nominated non-official members will be two years. The term of office of members of Parliament will also be for two years or earlier if they cease to be members of Parliament. The chairman of the council can specially invite any other person to attend any meeting of the council.

Minimum Cane Price

The government has, after careful consideration, decided to maintain the minimum cane price, its linkage with percentage of sugar recovery, the partial control policy including the proportion of levy to freesale sugar, unchanged for 1976-77 season. The minimum sugarcane price effective from October 1, 1976 would, therefore, continue to be Rs 8.50 per quintal for a basic recovery of 8.5 per cent or below with a premium of 10 Paise per quintal for every 0.1 per cent increase above that level. The levy and freesale sugar proportion will also continue to be 65:35. The above decisions have been taken in the context of the overall economic situation and the continuing need for holding the price line of all the essential commodities like sugar meant for mass consumption.

LIC Invests in Social Projects

In persuance of its policy to invest people's money for the good of the people, the Life Insurance Corporation of India has been making investments in socially-oriented projects like electricity, housing, water supply, sewerage, agriculture and industries. During August 1976, the corporation invested nearly Rs 7 crores on such projects. Out of this sum, Rs 5.30 crores were given as loan to Haryana State Electricity Board, Rs 84 lakhs to Baroda Municipal Corporation for urban water supply and sewerage scheme and Rs 50 lakhs to West Bengal State Apex Cooperative Housing Society for house building.

Small-Scale Sector

The LIC also gave a loan of Rs 17.40 lakhs for setting up an industrial estate in Gujarat and Rs 9 lakhs to Amravati rural piped water supply scheme. The corporation also invested last month Rs 27.34 lakhs in government securities and bonds and debentures of government and semi-government institutions and corporations of 13 states in India. It gave Rs 1.60 crores as loans and subscriptions to debentures of public companies in the private sector and Rs 3 lakhs were given as loans to sugar cooperatives in UP. The total gross investments made in the socially purposive schemes by the corporation have amounted to Rs 1700 crores. Such investments were of the order of only Rs 8 crores in 1957.

New Power Schemes

The Central Electricity Authority had given techno-economic approval to 25 power schemes with a total estimated outlay of Rs 873 crores in 1975-76. During the same period, it had received one hundred schemes with an estimated outlay of Rs 4680 crores. These included 40 hydro, 10 thermal, 44 transmission and distribution and six rural electrification and other schemes. Of the 25 schemes approved, 14 were power development schemes costing Rs 432.33 crores. In addition, final comments on 22 power development schemes has been prepared and circulated among the members of the Central Electricity Authority for technical clearance. It may be recalled here that under a government order of August 31, 1975, techno-economic approval is required to be accorded by the Central Electricity Authority for all power schemes before the ministry of Energy recommends these schemes to Planning Commission for an investment desicion.

Tanzanian Contract for NSIC

The Small Industries Development Organisation of Tanzania has awarded a contract for setting up small-scale industrial units on a turn-key basis to the National Small Industries Corporation of India. An agreement to this effect was signed by Mr K.N. Sapru, Chairman, National Small Industries Corporation and Mr E.M.Anangisye, acting Director-General of the Tanzanian Small Industries Development Organisation recently. The total value of the contract is estimated at Rs 2 crores and cover the supply of machinery and equipment and erection of plants for the manufacture of sugar (Khandsari), white crystal sugar, hand-made paper, cloth (power loom), bicycle parts, tiles and bricks, pencils, wooden prôducts, bolts, nuts, buttons, screws and rivets, band-saws and hand-saws, etc. The plants will be set up in Tanzania by the NSIC on a turn-key basis and handed

Department of Atomic Energy

On behalf of the President of India, the Director, Directorate of Purchase and Stores, Department of Atomic Energy, Bombay, invites tenders as detailed below :

(1) Tender No. DPS/NAPP/PPED/ENG/64 due on 5.10.76. Fabrication and supply of Electrolytic Copper Grounding Rods as per drawing and tender specification. Qty. 150 Nos.

(2) DPS/MAPP/ENG/75 due on 21.10.76. Carbon Steel Flat Split Consumable Rings in various sizes and large quantities as per tender specifications. Import Licence will be provided, if necessary. Qty. 5,000 No.

(3) DPS/BARC/MTL/3724 due on 8.11.76. Aluminium Bronze Rolled Plates in different sizes as per purchaser's tender documents Qty. 66 Nos.

(4) DPS/RRC/IEE/175 due on 7.10.76. Scanning Electron Miscroscope with facilities for elemental analysis. 1 No.

(5) DPS/TAPS/GEN/435 due on 8.10.76. Hand gloves cotton hosiery type with good quality elastic (yellow) 1, 80,000 Prs.

(6) DPS/TAPS/GEN/434 due on 11.10.76. Cap cotton yellow made out of good quality drill cloth in yellow-size 60.96 cms. (24") 10,000 Nos.

Shoe Cover cotton made yellow drill with superior elastic 2,00,000 Pairs.

(7) DPS/TAPS/GEN/440 due on 12.10.76. P. V.C. Boiler Suit, yellow with hood Size : 1150 mm. X 1750 mm (46" X 70")—1000 Nos.

(8) DPS/RRC/IEE/173. due on 4.10.76. Nickel-diagram hydrogan detection system. 3 No.

(9) DPS/NAPP/PPED/ELE/14 due no 7.10.76. Design, manufacture, testing and supply of stove enamelled Rigid Steel conduits with couplers and Junction boxes as per specification." Quantity : 228 Nos.

(10) DPS/BARC/CAP/2173 due on 19.10.76. Motorised (Power) turret punch press, pressure 10 tonne or more, as per purchaser's specification. 1 No.

(11) DPS/NFC/FAB/50 due on 11.10.1976. Fabrication and supply of Heat Exchangers for Nitric Acid Recovery as per Purchaser's Tender specification and drawings. Qty. 2 Nos.

(12) DPS/BARC/FAB/114 due on 29.10.1976. Preparation of shop drawings, manufacture, inspection, assembly, testing, packaging delivery at Bhabha Atomic Research Centre, Trombay and guarantee of the Piping assemblies along with supporting structural frames and supports etc. as per Purchaser's Tender Document and drawings. Qty. 1 complete set.

(13) DPS/PPED/ELE/391 due on 8.10.1976. "M.V. Power Cables as per our tender documents" Qty : 5200 Mtrs.

(14) DPS/NAPP/PPED/FAB/19 due on 15.11.1976. Manufacture, supply, inspection, testing, tropical export packaging, delivery and guarantee of End Fitting Seal Bellows assembly as per Purchaser's Tender Document. Qty. 1407 Nos.

(15) DPS/NFC/CAP/392 due on 15.11.76. Design, submission of drawings, manufacture, shop assembly, inspection, supply, packing, delivery, installation, testing, commissioning and guarantee of Electric Resistance Heated Continuous Roller Hearth Annealing Furnances, each having capacity of 3 tonnes/hour, as per Purchaser's tender documents and drawings—2 No.s.

Tender documents priced Rs 5/- each for items at S. No. 1 &2, Rs 10/- for items at S. No. 3, Rs 15/- each for items at S. No. 4 to 7, Rs 25/- each for items at S. No. 8 to 10, Rs 50/- each for items at S. No. 11 & 12, Rs 100/- each for items at S. No. 13 & 14 and Rs 400/- for items at S. N. 15 and General conditions of contracts priced Rs 0.50 except for items at S. No. 11, 12 & 14, can be had from the Finance and Accounts Officer, Department of Atomic Energy, Directorate of Purchase and Stores, 3rd Floor, Mohatta Building, Palton Road, Bombay-400 001, between 10 a. m. to 1 p. m. on all working days except on Saturdays. Tender documents and General conditions for items at S. No. 10 and 15 will however be issued upto 13.10.76 and 8.11.76 respectively. Import Licence will be provided except for items at S. No. 9, 11, 12 & 13 only if the items are not available indigenously. Tenders will be received upto 3 p. m. on the due date shown above and will be opened at 4 p.m. on the same day. The right is reserved to accept or reject lowest or any tenders in part or full without assigning any reasons.

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over. Tanzanian technicians and workers will be trained by the NSIC for running the plants under the agreement. The NSIC will also train one Tanzanian technician for each plant at a similar plant in India. The raw material requirements of the industries to be set up in Tanzania would be met by exports from India which will be paid for in foreign exchange. This agreement is the latest in a series of such agreements which India and Tanzania have had for cooperation in various fields. It is expected to further cement the close and friendly relations between the two countries.

Output of Public Undertakings

During August 1976, the public undertakings under the Department of Industrial Development achieved production valued at Rs 10.34 crores as against production worth Rs 8.49 crores in the corresponding month in 1975, showing an increase of 22 per cent. The target for August 1976 was set at Rs 10.13 crores. The actual production has exceeded the target figure. The cumulative production by these undertakings from April to August 1976 was worth Rs 47.31 crores, recording an increase of 41.4 per cent over the production worth Rs 33.45 crores in the corresponding period last year. The undertakings which were mainly responsible for the higher value of production during August 1976 are Hindustan Photo Films, Instrumentation Limited, the NEPA Mills and National Instruments Limited. Their achievements against the monthly targets were : Hindustan Photo Films (120.27 per cent); Instrumentation Limited (100.56 per cent), NEPA Mills (98.10 per cent) and National Instruments Limited (97.69 per cent). The actual production at the Hindustan Photo Films was valued at Rs 2.88 crores, which was 36.07 per cent higher than the production worth Rs 2.11 crores in August 1975. In quantitative terms, the production during the month was 776,000 sq metres against the target of 645,000 sq metres.

Aircraft Parking, Landing Fee Increased

The government has decided to increase the landing, parking and other charges of aircraft both at the international and domestic airports. The step has been taken to meet the increasing cost of airport facilities provided to airlines and to generate additional recources for the massive investment programme for improvement of airport infrastructure. The recommendations made by various committees including the Tata Committee set up by the ministry of Tourism and Civil Aviation to go into the question of improving the services at the airports involve an expenditure about Rs 225 crores over the next five years. This includes an outlay of Rs 100 crores on development of aeronautical communication services, Rs 15 crores for developing the runways and terminal buildings of domestic airports and Rs 38 crores on the development of international airports.

Consumer Cooperatives Meet

A two-day all-India conference of presidents, chairmen and chief executives of the national and state level consumer cooperative federations, chairman and chief executives of selected consumer cooperative institutions and other cooperatives engaged in consumer business and the registrars of cooperative societies was held on New Delhi on September 21 and 22, 1976. The union minister of Civil Supplies and Cooperation, Syed Mir Qasim inaugurated the conference.

The conference discussed the progress and problems relating to the development of consumer cooperatives and particularly considered the proposals for reorganisation and rationalisation of the structure of the consumer cooperatives, progress and problems of distribution of consumer articles in rural areas and expansion of the scope of the centrally sponsored schemes. It also undertook a detailed review of the progress made by the consumer cooperatives in the implementation of the 20-point Economic Programme, namely distribution of controlled cloth, supply of consumer articles to students' hostels etc.

Men's Fashion Week in Cologne

With 53 direct exhibitors and another two represented firms, this country took the leading position amongst the foreign exhibiting countries in the autumn event of the Men's Fashion Week, which was held in Cologne from August 27 to 29. Second to India ranked Holland with 50 direct exhibitors plus two represented firms, followed by UK with 43 direct exhibitors plus eight represented firms. The big Indian entry of altogether 55 firms is the absolute record in India's regular prrticipation in this fair. In last years's Men's Fashion Week in autumn only 22 Indian exhibitors showed their goods. All Indian exhibitors report good results. Main goods of display were gents' outergarments, ties, undergarments, leisure wear, belts, work clothing and knitwear.

Import of Capital Goods

The ministry of Industry has decided to discontinue the procedure of advertisement prescribed for import of capital goods under the modernisation and balancing schemes. The decision has been taken in order to expedite clearances under the scheme. Since the imports under the scheme are limited to a value of $250,000 per firm per annum, the capital goods imports not requiring the advertisement procedure would stand restricted to this ceiling for applicants to the special committee for the Technical Development Fund. The government had announced the setting up of a Technical Development Fund in March 1976, with the aim of promoting technological upgradation, modernisation and export development. The fund is primarily meant for assisting six selected industries. These are; commercial vehicles, tractors, forgings, foundry, textile machinery and machine-tools. The scheme is also open to other industries, but only with the purpose of enabling them to execute specific export orders with the help of the proposed imports.

Cocoa Products & Beverages

The makers of Hart's range of products and also Hart's Promivit, the cocoa based protein-mineral-vitamin drink are now introducing their cocoa chocolates, Hart's kandy chocolates and nutty milk bars. Hart's Promivit has been the combined effort of the Hart's and the Central Food Technological Research Instsitute, Mysore. It contains 20 per cent pure vegetable protein, vitamin

A, D and E. A tin of 400 gms costs Rs 11.75 in the state of Tamil Nadu (LT extra). Cocoa Products & Beverages Ltd., Madras, have their sophisticated machinery geared to manufacture all Hart's products under stringent quality tests and hygienic conditions.

India-Sri Lanka Cooperation

Sri Lanka has sought Indian collaboration in the manufacture of jeeps and rubber based industries. This was conveyed to union minister of industry, Mr T. A. Pai when Sri Lanka minister of Industry and Scientific Affairs, Mr T. B. Subasinghe called on him on September 17, 1976. The Sri Lanka minister specifically mentioned his country's project for the manufacture of jeeps and indicated his desire for Indian collaboration. The proposals will be taken up with the Indian jeep manufacturers. He said that there was a tremendous demand for jeeps in his country and he was keen that the project should be implemented with the least delay. Mr Pai suggested that Sri Lanka may import Indian made jeeps in completely knocked-down condition and assemble them for meeting their immediate requirements. He further said that Sri Lanka should take up the manufacture of ancillaries and components side by side so that they may start producing jeeps in the shortest possible time.

Buyer-Seller Meet in New York

Encouraged by the favourable outcome of the first trade exhibition organised in the US early this year, the Trade Development Authority (TDA) has decided to make another attempt. It will be organising the second "buyer-seller meet" in New York from October 10 to 15 and in Los Angeles from October 24 to 29. About 144 representatives of industry will be exhibiting no less than 27 major product groups covering industrial items ranging from automobile ancillaries to wire ropes and consumer goods, from carpets and furniture to tea. According to the TDA, this will be probably the biggest ever commercial exhibition mounted abroad. A number of product groups will be displayed for the first time in the US market which did not figure in the earlier exhibition. They include automobile ancillaries, chemicals and pharmaceuticals, medicinal herbs, synthetic dyes and dye intermediates, essential oils and perfumery materials, forgings, railway equipment, scientific instruments, wire ropes, glassware and marine products. Mr A. K. Ray, Executive Director of TDA, told newsmen that only those manufacturers have been included who have the capacity to export goods at least worth Rs 50 lakhs. It has been roughly estimated that the second exhibition may result in export orders worth at least $18 million.

Iran and Oil Embargo

Iran will not abide by a resolution passed by the non-aligned nations in Sri Lanka for oil embargoes against certain states by some oil exporting countries. A spokesman of the Iranian Foreign Office in Tehran stated that Iran was not obliged to accept any resolution or communique issued at the summit conference of non-aligned countries held at Colombo. The spokesman added that the Iranian government was basically against the policy of using an oil embargo as a means of political pressure. He pointed out that Iran had refused to participate in the early oil embargo applied by some Arab Oil producing countries. Iran, he said, is not a non-aligned country, and as such is not obliged to follow policies adopted at the Colombo summit conference.

Urban Land for Industry

Industries may be granted exemptions under the Urban Land (Ceiling and Regulations) Act, 1976, if such exemptions are considered necessary for their expansion or diversification or efficiency. With this end in view, the Union Works and Housing ministry issued broad guidelines to state governments for granting exemptions to persons holding vacant land in excess of the ceiling for industrial purposes under the Act. The guidelines, issued in consultation with the ministry of Industrial Development, say that all persons holding vacant land in excess of the ceiling limit, for whatever purpose it might be, should file statements under Section 6(1) of the Act with the concerned competent authority.

If a person wishes to retain vacant land in excess of the ceiling limit for the purpose of an industry, he should apply to the state government for exemption of such land under Section 20 (1)(A) of the Act. While granting exemption to an industry to hold vacant land beyond the ceiling limit for the purpose of an industry, the state governments may prescribe conditions subject to which the exemption is being granted. Normally, exemptions should be granted in cases where the land is required for the purpose of an existing industry or for its expansion or diversification within the next five years or for any other purpose incidental or ancillary to the carrying on of the existing industry. Applications for exemption in respect of vacant land up to an extent of half an acre (1984.4 square metres) in Calcutta, Bombay, Delhi and Madras and one acre (3968.8 square metres) in the other categories of urban agglomerations for the purpose of industry could be accepted as a matter of course. However, this limit can be reduced by the states if they consider it necessary in public interest.

Names in the News

Mr Kewal Singh, former Foreign Secretary, has been appointed India's Ambassador to the United States. He succeeds Mr T. N. Kaul, who is expected to take up another official assignment. Mr Kewal Singh had retired as Foreign Secretary on April 1 this year and is expected to take up his new assignment shortly. Prior to his tenure as Foreign Secretary, 61-year old Mr Kewal Singh had served as Indian Ambassador in Bonn. Earlier, he had been India's Ambassador to the Soviet Union, High Cammissioner to Pakistan, Deputy High Commissioner to the United Kingdom and Ambassdor to Sweden, Denmark Finland and Cambodia.

Mr M. G. Kaul, Secretary, Department of Economic Affairs, ministry of Finance, is being appointed India's executive director on the International Monetary Fund. He will succeed Mr S. Jagannathan. Mr Kaul who is retiring from the Indian Civil Service, is expected to take up his appointment in October.

Dr Ajit Mazoomdar, Secretary, Department of Expenditure, ministry of Finance, will shortly take over as alternate director representing India on the board of directors of the Asian Development Bank (ADB).

COMPANY AFFAIRS

Birla Jute

Birla Jute Manufacturing Co Ltd has reported satisfactory progress during the year ended March 31, 1976. During the year output of jute goods, cement and staple fibre recorded considerable improvements over 1974-75 while production in the calcium carbide division was almost maintained at the previous year's level. The gross profit earned during the year amounted to Rs 5.90 crores as against Rs 8.28 crores in 1974-75. Out of the gross profit, a sum of Rs 2.25 crores was appropriated to depreciation reserve while Rs 2.00 crores was earmarked for meeting tax liabilities. The balance of Rs 1.65 crores was transferred to general reserve. The directors have recommended an equity dividend of 18 per cent. It will absorb Rs 71.80 lakhs and will be paid out of the general reserve.

Increase in Output

Output of jute goods went up from 27,627 tonnes to 32,611 tonnes but exports were marginally lower at 18,253 tonnes as compared to 19,551 tonnes in 1974-75.

There was an overall increase of 17 per cent in the company's output of cement from 10.61 lakh tonnes to 12.44 lakh tonnes. This was mainly due to increased production of the new cement unit at Durgapur, which for the first time worked for the whole year. At Satna and Chittor, the production was marginally lower partly because of the manufacture of superfine cement and partly because of inferior quality of coal.

Notwithstanding the increase in production, the profitability of the staple fibre spinning division has been badly affected by the continued recession in domestic demand of staple fibre yarns, while the ban of export is yet to be lifted.

Although the company has received an industrial licence for the expansion of cotton yarn capacity from 12,760 to 25,000 spindles, the programme has been kept in abeyance in view of the financial commitments already made by the company.

The working of the calcium carbide division was affected by the continuing recession in the engineering industry which depressed demand. Keeping in view the slackness in demand and the financial commitments, the company has not been able to undertake this scheme of marginal expansion of its carbide capacity from 12,300 to 15,500 tonnes per annum.

India Cements

India Cements Ltd has reported considerable improvements in its working results during the year ended March 31, 1976. Sales during the year jumped to Rs 28.95 crores from Rs 21.70 crores in 1974-75 while net profit was significantly higher at Rs 100.68 lakhs, recording an increase of as much as Rs 65.18 lakhs or 184 per cent over the preceding year. The considerable improvement in working results was brought about by such factors as restoration of full power from July 1975, adequate supplies of coal, increase in retention price from October 1, 1975 and improved export performance. The directors have recommended a dividend of eight per cent on equity shares. This will absorb Rs 39.20 lakhs.

Rise in Exports

The year under review witnessed substantial increase in export of cement to middle east countries. The company also exported cement to Bangla Desh and the Republic of Maldives. The total quantity exported during the year was of the order of 105,780 tonnes as compared to 73,417 tonnes in the previous year. Manufacture of a special variety of cement known as "High sulphate resistant cement" conforming to ASTMC-150 type V was taken up by the company for the first time to cater to overseas markets in Iran and Iraq against international competition. The company hopes to export over two lakh tonnes of cement during the current year.

Hyderabad Asbestos

Hyderabad Asbestos has made commendable progress during the year ended December 31, 1975. Production of asbestos cement products during the year was higher at 195,268 tonnes as against 175,782 tonnes in 1974-75. Mill board, manufacture of which has commenced at Ballabhgarh division during the year, has been well received by the markets. Sales during this year advanced briskly to Rs 23.38 crores from Rs 19.90 crores while the profit after taxation and depreciation amounted to Rs 82.39 lakhs as compared to Rs 89.17 lakhs in 1974-75. The directors have recommended a dividend of Rs 2 on equity shares of Rs 10 each.

Out of the gross profit, a sum of Rs 3.75 lakhs was appropriated to development rebate reserve, Rs 46.98 lakhs to general reserve and Rs 31.66 lakhs as provision for the payment of proposed preference and equity dividends.

There was a significant improvement in export performance. The total exports during the year more than trebled to Rs 5.53 crores as against Rs 1.82 crores in 1974-75. During the year under review the company secured orders for export of asbestos cement sheet plant to Turkey and asbestos milling plant to Iran. The outlook for exports in the current year is on the whole encouraging. Domestic sales would have been better but for the recession in demand during the year.

Bank of India

Bank of India, entered its 71st year on September 7, 1976. When it was incorporated on September 7, 1906 it had just 21 employees, a paid-up capital of Rs 50 lakhs and only one office in Bombay. Today, Bank of India has nearly 1000 branches, deposits of over Rs 1270 crores and employs over 22,000 people.

While the bank's performance prior to Independence and during the first two decades since Independence was commendable, its mobilisation towards the goal of total uplift gathered dramatic momentum since nationalisation in July, 1969. The bank has opened, since nationalisation, 680 branches, out of which nearly 300 are in the rural areas and an equal number in the backward districts. The bank lost no time in gearing its efforts to aid the new priority sectors. The bank's financing of exports has gone up four times since 1969, On the international front, the bank now has 18 branches-in UK, Pakistan, Kenya, Hong Kong, Singapore, Japan, France and Indonesia.

The bank apart from aiding priority sectors, has undertaken ingenious schemes to help the needy. On the employment-promotion programme, the bank has helped nearly 4000 borrowers. In its latest adaptation to the national needs, the bank has invested nearly Rs 27 crores from July 1975 to March 1976 under the 20-Point Economic Programme.

The bank participates in the entrepreneurship development schemes, slum clearance programmes and other such activities of national urgency. The bank has adopted 279 villages for their comprehensive development.

The bank has been allotted 32 districts to promote rural development. From 28 branches in 1969, in these districts, the number has risen to 313. It has also started the Gramin Bank in Farrukhabad and at Barabanki which are known as regional rural banks.

ICICI

The Industrial Credit and Investment Corporation of India Ltd (ICICI) is offering 30,000 debentures (1992) of Rs 5,000 each at 97.50 per cent (i.e. Rs 4875 each). The subscription list opend on September 23 and will close on September 28 or earlier but not before September 25, 1976. The ICICI reserves the right to retain excess subscription money up to 10 per cent of the issue and allotment of further 3000 debentures. The debentures will carry an interest at the rate of 6.25 per cent per annum. The debentures are redeemable at par on October 15, 1992.

The debentures, now being issued, are guaranteed by the government of India as to the repayment of the principal and the payment of interest thereon at 6.25 per cent. The debentures are also considered as approved security under the provisions of the Indian Trusts Act, 1882, the Insurance Act, 1938 and the Banking Regulation Act, 1949.

The debentures are being issued for the purpose of augmenting the resources of the company to meet the demads of industry for financial assistance and to meet the other needs of ICICI.

ITC

In the annual statement circulated to the shareholders of ITC Ltd, the chairman Mr A. N. Haksar, has made a strong plea to the government for a reduction in excise duties. The chairman has stated that while it is true that equilibrium be maintained between investment, production and consumption, it is also equally true that higher productivity, more employment and better utilisation of all resources—those already invested and those to be invested—can only flow from higher production supported by expanding demand within the prevailing circumstances of purchasing power. The chairman has further emphasised that reasonable stability in prices for the betterment of the public as a whole, with larger employment on the one hand and inevitable increases in costs of certain inputs such as energy (etc) on the other can, perhaps, best be achieved by lesser excise duties, with the exchequer revenue being augmented through a wider and deeper base of consumption particularly in the rural areas, thus making a virtue of our very large population that needs to be contended with and radically contained for the future.

Excellent Performance

The performance of ITC Ltd during the year ended March 31, 1976 was excellent. During 1975-76 the corporate turnover reached Rs 360 crores and the profit before tax was Rs 9.43 crores, both of which are the highest so far achieved. Whereas the cigarette business remained dull in keeping with the static situation in the industry resulting from the continued imposition of heavy excise duties, significant contributions were made by the leaf tobacco ILTD Division and the Printing and Packaging Division towards these results.

The Indian Leaf Tobacco Development Co Ltd has been operating in India as a 100 per cent UK owned company branch operation. As a result of amicable discussions with ILTD, UK, and the subsequent permission given by the central government, ITC was able to purchase. with effect from April 1, 1975, the net assets of ILTD in India and this is the first year in which the ILTD Division has functioned as a part of ITC. This acquisition has added very considerable strength to the operations of ITC in the tobacco business.

ITC's entry into the tourism and hotel industry started with opening of Hotel Chola in Madras in September 1975. The results achieved by the end of March 1976 were well above earlier expectations. Performance since April this year, despite the slack season, has been very creditable. It is indeed significant that ITC has ventured into this field without any collaboration whatsoever, either domestic or foreign. Hotel Mughal in Agra has started receiving guests. It will be fully operational by October in respect of all its facilities. Construction of Hotel Maurya at Delhi has commenced and work is in full swing to enable the hotel to open in the winter of 1977.

ITC is promoting Bhadrachalam Paperboards Ltd for manufacturing quality carton board and printing-cum-educational papers with an investment of 33 per cent of the equity in this new venture which is in the core sector. The project is localted in a backward district of Andhra Pradesh.

Export Award

Once again ITC was the recipient of awards and tributes in recognition of creditable performance in various sides of its activities. ITC was awarded the government of India trophy in November 1975 for outstanding export performance in the field of export during April 1972-March 1973. ITC has also received government's National Family Planning Award for the best performance under the Nirodh Marketing Programme for 1973-74.

The final phase of dilution to bring foreign shareholding down to 40 per cent through a disinvestment of Rs 3.80 crores by the overseas shareholders, has been under active consideration, and discussions with the government. Subject to this final clearance, which it is hoped will be shortly available, the dilution should be completed before the close of 1976, thus removing ITC from the group of "FERA

Companies" to enable it to look to a brighter future as an "Indian Company".

News and Notes

Bank of Baroda has opened its new branch at Brussels. It is the first Indian bank to have opened its branch in Belgium. The opening of this branch will forge a further link between the EEC and India. The bank's other branches are spread over Fiji Islands, Guyana, Kenya, Mauritius, United Arab Emirates, Sultanate of Oman and the UK.

The Asian Development Bank ADB and a syndicate of Swiss banks headed by the Swiss Credit Bank signed on September 6 an agreement for a bond issue in Switzerland of SwF80 million (equivalent to about US$32.4 million). The bonds will bear interest at 6.25 per cent and have a maturity of 15 years. The bonds will be offered for initial sale in Switzerland during the period from 8 to 14 September 1976 at the price of 100 per cent. The bonds will be dated 30 September 1976, with annual interest coupons, and will be in denominations of SwF5,000 and SwF100,000. The ADB undertakes to repay the bonds at par, without further notice, on September 30, 1991, at the latest. The bonds will be listed on the Stock Exchanges of Zurich, Basle, Geneva, Lausanne and Berne. This is the ADB's third public bond issue in the Swiss capital market.

New Issues

Transformers and Electricals Kerala Ltd (TELK), a going concern established by Kerala State Industrial Development Corporation Ltd, with Hitachi collaboration and with an excellent record of progress and profit is issuing shares to the public. They are issuing 8,55,052 equity shares of Rs 10 each for cash at par to the public. The subscription list opens on October 4, 1976. With the additional equity of Rs 85.5 lakhs the total paid-up capital of the company will be Rs 400 lakhs.

TELK is one of the two manufacturers in the country manufacturing extra high voltage power transmission equipments up to 400 kV, viz. power transformers, current transformers, on-load tap-changers and bushings up to 400 kV. They are well established in the power field and have supplied extra high voltage transformers up to 220 kV to almost all the states and have also exported some transformers to Tanzania, Malawi and Cambodia. They have commenced manufacture of equipment in the 400 kV range.

TELK is currently implementing an expansion programme at its existing manufacturing facilities at Angamally, Ernakulam District, Kerala to increase its capacity from 1080 MVA of transformer per annum to 3000 MVA of transformer per annum and also to take up manufacture of 400 kV equipments. The cost of the expansion is estimated at Rs 564 lakhs.

The company has almost completed the project and the entire works will be over by December 1976. The company has enough orders on hand—for Rs 30 crores to run for 2½ years.

TELK is a public sector undertaking and probably the first public sector company with a good dividend record.

Capital and Bonus Issues

Consent has been granted to these companies to raise a capital. The details are as follows:

New Elastic Tape Manufacturing Company Private Ltd, Bombay, has been accorded consent, valid for six months, to capitalise Rs 225,000 out of its general reserve and issue fully-paid shares of Rs 100 each as bonus shares in the ratio of one bonus share for each equity share held.

Springs India Limited, Calcutta, has communicated to the government of its proposals to issue capital under clause (5) of the Capital Issues (Exemption) Order for Rs 6.5 million (inclusive the capital already raised) divided into 580,000 ordinary shares of Rs 10 each and Rs 7,000, 11 per cent cumulative preference shares of Rs 100 each, for cash at par, out of which Rs 3.48 million in equity and the entire preference capital of Rs 700,000 will be offered to the public by a prospectus.

Sable Waghire and Company Limited, Poona, has been accorded consent, valid for six months to capitalise Rs 1.3 million out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for each equity share held.

Cruickshank and Company Limited, Calcutta, has been accorded consent, valid for six months, to capitalise Rs 1.5 million out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of three bonus shares for every five equity shares held.

National Organic Chemical Industries Limited, Bombay, has been accorded consent, valid for six months, to capitalise Rs 60 million out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every two equity shares held.

Dividend

(Per cent)

Name of the company	Year ended		Equity dividend declared for	
			Current year	Previous year
Higher Dividend				
Alageswar Estates	March	31, '76	15.0	10.0
Bajaj Auto	June	30, '76	18.0**	12.0*
Belpahar Refractories	October	31, '75	12.0	7.0
Agfa-Gevaert India	December	31, '75	16.0	12.0
Same Dividend				
Mohan Meakin Breweries	March	31, '76	12.0	12.0
Star Paper Mills	March	31, '76	15.0	15.0
Hukumchand Jute	March	31, '76	9.0	9.0
Ahmedabad New Cotton	December	31, '75	18.0	18.0
Reduced Dividend				
Coorg Tea	March	31, '76	10.0	20.0
Fort Gloster Industries	March	31, '76	10.0	12.0

*Fifteen months ended June 30, 1976.

**Twelve months ended March 30, 1975.

I.T.C. Limited

Chairman, Shri A.N. Haksar's statement

at the Sixtyfifth Annual General Meeting on Thursday, 26th August, 1976.

A. Introduction

On behalf of the Board of Directors I welcome you to the 65th Annual General Meeting of your company. While thanking you for your presence here today, I would like to apologise, in advance, for restricting the hospitality on this occasion in consonance with national policy in this regard.

To begin with, I would like to express your Company's pride in and support of Governmental measures as well as the declaration of Emergency, as a result of which, there have been very substantial gains to the Nation and the public. Containment of inflation remains an outstanding achievement of 1975-76. Not only were prices held, but there was an actual decline in prices by 6% during the year. The financial discipline that has been introduced makes possible the better utilisation of available resources in support of priorities; it has also provided a meaningful thrust for more efficient operations in all spheres. Above all, the emergency has focussed attention on the need for disciplined conduct of personal and public life, and made poignant, the need for each of us to contribute to the well being of our country through conscientious hard work, and more work, putting the Nation ahead of ourselves. In this Nation-building endeavour and the economic and other programmes enunciated for this purpose, I would like to reaffirm your company's unflinching support at all times.

Shri D. J. Weaver and Shri R. C. Burns retired from the Board in December 1975 and July 1976 respectively. On behalf of the shareholders and the Board, I would like to express my thanks to them for their valuable services throughout their tenure with the Company and wish them all the best for the future.

Once again ITC was the recipient of awards and tributes in recognition of creditable performances in various sides of its activities. To cite just two :

1. ITC was awarded the Government of India trophy in November 1975 for outstanding export performance in the field of export during April 1972—March 1973.
2. ITC received Government's National Family Planning Award for the best performance under the Nirodh Marketing Programme for 1973-74.

B. Corporate Results-Review

The report of the Directors, which is with you, will indicate that the Company has completed another successful year of operations. During the year under review, the Corporate Turnover reached Rs 360 crores and the profit before Tax was Rs 9.43 crores, both of which are the highest so far achieved. Whereas the cigarette business remained dull in keeping with the static situation in the industry resulting from the continued imposition of heavy excise duties which I will deal with later, significant contributions were made by leaf tobacco ILTD Division and the Printing and Packaging Division towards these results.

C. Consumer Satisfaction—Production—Inflation—Excises

In a world which saw spiralling prices and, in which high rates of inflation have become almost universal, the handling of this pernicious illness successfully by our country and Government is no mean achievement, some consider it incredible. However, we cannot rest on our laurels and we support Government's continued vigilance on this front.

In continuation of this success on the inflation front I would like to submit, once again, the imperative need to take a fresh look at Excise Duties. In this context, the Honourable Finance Minister's comments during the 1976 Central Budget Speech and the setting up of the Jha Committee under the stewardship of Shri L. K. Jha are most welcome moves.

While it is right that equilibrium be maintained between investment, production and consumption, it is equally true that higher productivity, more employment and better utilisation of all resources—those already invested and those to be invested—can only flow from higher production supported by expanding demand within the prevailing circumstances of purchasing power. Furthermore, reasonable stability in prices for the betterment of the public as a whole, with larger employment on the one hand and inevitable increases in costs of certain inputs such as energy (etc.) on the other can, perhaps, best be achieved by lesser Excise Duties, with the Exchequer Revenue being augmented through a wider and deeper base of consumption, particularly in the rural areas; thus making a virtue of our very large population that needs to be contended with and radically contained for the future.

D. The Management of Diversified Activities—Developments—Progress

The theme of my speech last year was "The Management of Change" which has been a fundamental characteristic of the Company over recent years. Change, to enable progress, change to grow from within based on selfreliance, and to be increasingly Nation oriented. To this end, change has been designed towards integration with the country by subserving the National interests whereby the shareholders could obtain their just reward in the longer term for the risk taken by them and contributions made. This year I would like to report to you on the Company's diversified activities, the developments that have taken place and the progress made.

1. Indianisation

The final phase of dilution to bring foreign shareholding down to 40% through a disinvestment of Rs 3.80 crores by the overseas shareholders has been under active consideration, and discussions with the Government. Subject to this final clearance, which it is hoped will be shortly available, the dilution should be completed before the close of 1976, thus removing ITC from the group of "FERA Companies" to enable it to look to a brighter future as an "Indian Company".

ITC already has over 40,000 shareholders. By this process of dilution, which started as recently as 1970 when foreign shareholding stood at 94 per cent, it is possible that it will have one of the largest number of shareholders in the private sector in the country. For this major change, thanks are due to the progressive approach, foresight and, indeed, enlightened understanding of the overseas shareholders.

2. Foreign Exchange Earnings

Turning to the export performance of your Company, I am pleased to report that the foreign exchange earnings reached an all-time record of over Rs 31.00 crores in 1975/76. It is gratifying to note that your Company is in the forefront of the national export drive. Every endeavour will be made to match this performance during the current year and, hopefully, there should be further progress in the coming years contributed largely by increased non-traditional earnings arising from the Hotels, Foods and General Export Divisions.

3. Traditional Smoking Tobaccos and Cigarettes –India Tobacco Division

The gross turnover of the India Tobacco Division from smoking tobaccos and cigarettes increased from Rs 313 crores to Rs 321 crores, but the net turnover (excluding Cigarette Excise Duty) declined as a result of the increased imposition of Cigarette Excise Duties. The Budget of 1976 once again ushered a further increase in Excise Duties with only a marginal reduction in the lower-middle prices categories; the ninth successive increase in Cigarette Excise Duties since 1968. As a result of these rapid and substantial doses of increasing taxation the cigarette industry has been virtually static for 8 years and only approximately 50/60 per cent of the existing installed capacity is being utilised. On the contrary, empirical evidence points to the fact that substantial increases in Exchequer Revenues do take place without an increase in the rates of duties through a broader based demand and no additional burden on the consuming public. Furthermore, as much as 80 per cent of the Excise Duty on tobacco products is accounted for by cigarettes although they represent around 25 per cent of the tobacco usage in the country. I would like to plead once again that the Government take a more pragmatic approach to giving relief to the cigarette industy as increasing revenues will not be jeopardised, as there is the need for a growing domestic base to support larger exports of leaf tobacco and as it would be only right that the burden of revenue from tobacco be more, evenly spread between the various products. The need for such relief, which will also enable better utilisation of available capacity, is most urgent. In spite of these severe difficulties the Division's trading results were maintained at a satisfactory level, and credit for this lies in the managerial action taken to minimise the effects of inflation through product innovation and a reduction in operating costs.

The Division's marketing operations progressed further with the growth of GOLD FLAKE and CAPSTAN. WILLS FILTER continued to do well while WILLS VIRGINIA FILTER emerged as the largest selling filter tipped cigarette in India. Three other filter tipped brands-- WILLS FLAKE KING SIZE, WILLS FLAKE REGULAR SIZE and BRISTOL are also moving up fast along with BERKELEY.

I would like to reiterate once again that there is substantial scope for the growth of the cigarette industry without harming any other tobacco product given a more realistic approach on Excise Duties.

4. Leaf Tobacco - ILTD Division

Turning now to Leaf Tobacco, you will recall that I have always referred to The Indian Leaf Tobacco Development Co. Ltd. as a sister concern in the past. ILTD has been operating in India as a 100% U.K. owned Company Branch Operation. I am very happy to report that, as a result of amicable discussions with ILTD U.K., and the subsequent permission given by the Central Government, your Company was able to purchase, with effect from 1st April 1975, the net assets of ILTD in India and this is the first year in which the ILTD Division has functioned as a part of ITC. This acquisition has added very considerable strength to the operations of ITC in the tobacco business by providing it with an efficient raw material base as well as the very substantial expertise and technology that has been developed by ILTD over many years, not only in tobacco, but in the field of agriculture as a whole.

ILTD has been the pioneer of the leaf tobacco business in India and of this Division's turnover of over Rs. 47 crores, as much as 52% or around Rs. 25 crores is in exports. ILTD Division is in constant touch will all the major tobacco customers in as many as 20 different tobacco importing countries. Whereas the exports of tobacco have been increasing in recent years, competition from countries such as Brazil, Korea, Thailand has been increasing where, not only is there no duty on exports, but instead governmental subsidies are available in several instances. It is to be hoped that with the imperative need to improve further on our tobacco exports Government will give consideration to the timely removal of the Export Duty on Tobacco so that India does not lose out its pre-eminence amongst tobacco exporting countries in the International market.

The ILTD Division is closely involved with the development of tobacco in India and vigorous new development work is going on in Karnataka State and in light soil areas in Andhra Pradesh.

5. Printing and Packaging Division

The Printing and Packaging Industry continued to face a general slump in business during 1975-76. In the wake of the packaged commodities orders, the credit squeeze and other anti-inflationary measures to better equate demand with supply, there have been vigorous attempts on the part of the basic user industries to cut down inventories, resulting in depressed demand. In spite of the very severe difficulties, the Printing and Packing Division was able to make a very reasonable and improved contribution to Corporate Profits largely through judicious purchases of its major feedstock and by very strict control of its overheads expenditure coupled with continuing improvement in productivity. The demand from basic users has recently been showing an improving trend and this, together with diversifying customers and products, should enable the Division to improve further on its performance in the current year with increasingly meaningful contributions to the Corporate good.

6. Hotels Division

Your Company's entry into the tourism and hotel industry started with the opening of Hotel CHOLA in Madras in September 1975. The results achieved by the end of March 1976 were well above earlier expectations. Performance since April this year, despite the slack season, has been very creditable, and with indications of growing tourist traffic to the South, which process can be accelerated through removal of certain constraints, occupancies should improve further in the coming months. The earlier snags that were inevitably encountered in a new industry and venture have now been overcome, and during this, the first full year of its operations it is expected that results should be genuinely satisfying. Considering ITC has entered the industry without any collaboration, either foreign or domestic, the credit for these results goes to the management of the Division and Hotel CHOLA who have collectively endeavoured to inject a new dimension in the Industry by taking pride in developing a hotel concept that is rooted in the soil of our country and is truly Indian.

I am also very happy to report that there has been an advance on our earlier expectations relating to the completion of Hotel MUGHAL in Agra which has opened this month and started receiving guests. Hotel MUGHAL will be fully operational by October in respect of all its facilities. Indian travel agents and foreign tour operators who have visited the site are greatly impressed by its unique concept and design and have been already making bookings of an order which augur well for the future. Between Hotels CHOLA and MUGHAL with a full year of operations of both, the Hotels Division is likely to be in a position to make a contribution to Corporate Profits having fore-shortened the period of construction, gestation and running-in. Construction of Hotel MAURYA has not only commenced but is in full swing to enable the hotel to open in the winter of 1977. The Pacific Area Travel Agents Conference is being hosted in Delhi in January 1978 and your hotel is expected to reap considerable benefit from the international exposure that it will receive.

Your Board of Directors place considerable confidence in the future of this Division which has grown rapidly, as the Division and ITC have been fortunate in collecting a group of hotel expertise and management which, although it may not be the largest, is certainly both individually and collectively already considered by others to be about the best in the country.

7. Foods Division

Turning now to the Foods Division, I am happy to report that during 1975/76 exports were around Rs. 5 crores. Your Company's brands — PENINSULAR and CHEF — have established for themselves a reputation of high quality and are in good demand in overseas markets, particularly Japan. During 1975/76 this Division consolidated its activities, the fleet of fibre glass motorised trawlers was augmented by two, two trawlers have now been taken on lease and two Mexican trawlers are likely to be received before the close of this year. With this growth in the trawling fleet concurrent steps are in hand for expeditious construction and commissioning of new processing plants for marine products.

Subject to the vagaries of the "commodity market", it is expected that export earnings will double themselves over the next two years. The gestation period can be considered to have finished in 1975/76 and, during the current year and in years ahead, the Foods Division—another new venture—should be in a position to provide its due return to the body Corporate.

8. General Exports Division

The General Exports Division exported a wide range of products including cigarettes, paperboard, surgical dressings, light engineering goods, insulators, garments and leather. In order to put the activities of this Division on firmer ground in the longer term it has been decided to be more selective in the future in order to establish product uniqueness. New growth areas have been identified and reliable production bases are being developed to achieve the objectives of longer term growth, profitability and higher stable exports.

9. Bhadrachalam Paperboards Ltd.

Your Company is promoting B.P. Ltd. for manufacturing quality carton board and printing cum educational papers with an investment of 33% of the equity in this new venture which is in the core sector. The letter of intent was converted into a licence some time back and substantially effective steps have already been taken. The project is located in a backward district of Andhra Pradesh. An effective and enthusiastic group of management, including the necessary expertise and technology, has already been built up and the final financing plans are being pursued. This will be the first project of its kind in the industry in the private sector in many years. The progress to date gives confidence in the future of this project and, therefore, for the investment being made by your Company.

E. Tribute to the Most Valuable Asset—People—Employees

In keeping with our philosophy and practice of seeking active participation of employees and the Unions as a part of long standing Industrial Relations Policy, we welcome the scheme of Workers' Participation and training of apprentices and look forward to its success in the light of our many years of experience.

During the year under review our employees—management and non-management—continued to extend their co-operation in meeting the difficult situations faced including the gestation pangs of our new activities and we were able to introduce several measures for cost reduction at all our Units. To date, new Long Term Agreements have been reached at 10 Marketing Branches and 3 Production Units in the ITD—India Tobacco Division—and, as in the past, Annual Bonus and monthly incentive payments continue to be linked to Productivity. ILTD Division also concluded a Long Term Agreement covering nearly 18,000 workers and annual bonus has been linked to productivity for the first time.

I should like to take this opportunity of thanking all employees in the organisation, those in our traditional business as well as new entrants into our diversified activities, for their very laudable efforts and loyalty and assure shareholders that the Directors will continue to seek and value the cooperation of the people who make this Company a growing one for, to them all, goes the credit of such success as we may have achieved both in our traditional and newly diversified activities.

F. Conclusion—the Future

Finally, I would like to take a look at the future. I have always believed that the well being of your Company is linked to the prosperity of our country. Today, India is economically stronger than it has ever been before and this healthy economy of ours is poised for greater and faster strides in the future. Our foreign exchange reserves position is not only sound but improving every day. Such a situation can only augur well for the future. At the same time, your Company has largely overcome the initial hurdles of diversification and weathered the very heavy burdens of early gestation in its new diversified activities. It is now moving to a period of consolidation in its new directions. With God's grace and luck, that is inevitably necessary, I cannot but look to the future of our country and, therefore, your Company with confidence.

This does not purport to be a report of the proceedings of the Annual General Meeting.

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Wholesale prices

THE OFFICIAL wholesale prices index (base 1961-62=100) stood at 310.6 during the week ended August 21, 1976 as against 309.4 for the immediately preceding week and 313.6 for the last year. Thus over the year, there has been a decline of 1.0 per cent in the index, although compared with the immediately preceding week, the index is marginally higher by 0.4 per cent.

Food Articles

The index for "Food Articles" which stood at 342.9 was lower by 6.8 per cent compared with the corresponding week of the last year.

Compared with the preceding week, the index was, however, higher by 0.4 per cent due to an increase in the prices of cardamoms (+19 per cent), turmeric (+5 per cent), groundnut oil (+4 per cent), maize (+3 per cent), arhar, coconut, oil & cloves (+2 per cent each) and ragi, ghee, vanaspati, eggs, sugar, gur and khandsari (+1 per cent each).

Prices of betelnuts (—4 per cent), fish (—3 per cent), jowar, barley and tea (–2 per cent each) and bajra, bananas, mustard oil and chilies (—1 per cent each) declined.

Liquor & Tobacco

The index for "Liquor and Tobacco" group advanced by 1.7 per cent to 339.3 as against 333.7 for the earlier week due to a rise in the price of raw tobacco (+4 per cent) during the week.

Fuel, Power, Light and Lubricants

The index for "Fuel, Power, Light and Lubricants" group

Index Numbers of Wholesale Prices by Groups and Sub-groups

(Bases 1961-62 = 100)

Groups & Sub-groups	Week ended				
	21-8-76	14-8-76	24-7-76 Provisional	26-6-76 Final	23-8-76
Food articles	**342.9**	**341.5**	**339.5**	**339.8**	**367.7**
Foodgrains	313.6	314.1	312.6	302.3	383.5
Cereals	309.9	310.9	311.0	299.9	371.3
Pulses	330.2	328.6	319.8	313.0	438.5
Fruits & vegetables	332.7	333.8	323.7	325.1	327.4
Milk & milk products	338.0	337.2	334.4	325.7	329.5
Edible oils	311.6	304.5	294.5	271.3	346.9
Fish, eggs & meat	657.3	668.1	675.1	676.6	598.4
Sugar & allied products	371.0	367.3	364.9	347.6	365.1
Others	304.4	299.0	307.6	324.9	307.2
Liquor & tobacco	**339.2**	**333.7**	**323.2**	**323.1**	**314.4**
Liquor	197.0	197.0	197.0	197.0	197.2
Tobacco	345.9	340.0	329.0	328.9	319.9
Fuel, power, light & lubricants	**370.2**	**370.3**	**370.1**	**369.2**	**353.0**
Coal	351.6	331.6	331.6	331.6	331.6
Coke	423.4	423.4	423.4	423.4	423.4
Mineral oils	421.3	421.3	421.3	421.3	408.8
Rectified spirit	1404.7	1404.7	1404.7	1404.7	547.2
Electricity	255.1	255.1	255.1	252.8	228.8
Castor oil	370.8	378.3	356.4	321.8	270.0
Industrial raw materials	**314.5**	**310.8**	**302.0**	**297.0**	**359.4**
Fibres	301.9	301.3	308.6	303.7	238.7
Oilseeds	351.8	343.7	316.4	306.6	351.0
Minerals	219.2	219.2	219.2	219.2	234.2
Others	268.8	268.7	271.3	274.4	249.7
Chemicals	**292.9**	**292.9**	**293.1**	**293.1**	**325.9**
Machinery & transport equipment	**257.9**	**257.9**	**257.9**	**257.5**	**261.9**
Electrical machinery	249.4	249.4	249.4	219.4	263.6
Non-electrical machinery	288.1	288.1	287.6	287.6	286.7
Transport equipment	210.9	210.9	211.1	210.4	215.6
Manufactures	**263.3**	**252.2**	**263.1**	**259.0**	**253.1**
Intermediate products	**332.2**	**333.1**	**352.8**	**327.3**	**308.8**
Textile yarn	253.9	256.1	256.3	247.9	216.9
Leather	313.3	313.3	319.4	318.5	273.8
Metals	419.6	419.5	419.2	417.2	414.1
Linseed oil	316.9	315.0	297.7	275.3	290.9
Finished products	**246.6**	**246.3**	**246.2**	**242.5**	**239.6**
Textiles	224.5	223.7	223.8	218.6	218.8
Metal products	301.6	301.6	301.6	298.9	298.5
Non-metallic products	309.7	309.7	308.8	299.7	276.9
Chemical products	265.3	265.2	264.6	263.7	261.7
Leather products (Shoes)	147.1	147.1	147.1	147.1	149.6
Rubber products	243.3	243.3	243.3	244.4	233.8
Paper products	219.8	223.7	223.7	219.8	230.2
Oilcakes	327.2	324.7	325.4	324.8	283.2
Miscellaneous products	174.0	174.0	174.0	174.0	174.6
All commodities	**310.6**	**309.4**	**307.2**	**301.7**	**313.6**

Source : Office of the Economic Adviser, Deptt. of Industrial Development.

declined to 370.2 as against 370.3 for the last week. The price of castor oil fell by two per cent.

Industrial Raw Materials

The index for "Industrial Raw Materials" went up to 314.5 from 310.8 in the last week owing to a rise in the prices of linseed castor seed and copra (+4 per cent each), groundnut (+3 per cent) and raw jute and mesta, rapeseed and cottonseed (+1 per cent each). Prices of raw hemp and gingelly seed (—2 per cent each) and rubber (–1 per cent) showed a fall.

Chemicals

The indices for the groups "Chemicals" and "Machinery and Transport Equipment" remained unchanged at their previous levels of 292.9 and 257.9 respectively. At this level, these two groups registered a decline of 10.1 and 1.5 per cent respectively as compared with the corresponding week of the last year.

Manufactures

"Manufactures" group comprising of (a) Intermediate Products and (b) Finished Products, stood at 263.3 as against 263.2 for the last-week.

(a) The group index for "Intermediate Products" showed a fall of 0.3 per cent to 332.2 as against 333.1 for the earlier week due to a fall in the prices of cotton yarn by one per cent. However, the prices of linseed oil (+1 per cent) increased.

(b) The index for "Finished Products" increased by 0.1 per cent to 246.6 as against 246.3 for the previous week due to essential oils (+3 per cent) and handloom cloth and oilcakes (+1 per cent each). Prices of paper-products declined by two per cent.

Index Numbers of Security Prices All India

(Base 1970-71 = 100)

Week ended	1975	1976				
	August 30	July 31	August 7	August 14	August 21	August 28
Government and Semi-Government Securities	**96.4**	**97.0**	**97.0**	**97.0**	**97.0**	**97.0**
Government of India	95.3	95.9	96.0	96.0	96.1	96.1
State Governments	99.1	99.4	99.4	99.4	99.3	99.4
Semi-Government Institutions	101.3	101.9	101.8	101.9	101.9	101.9
Debentures	93.1	90.6	90.6	90.6	90.6	90.6
Preference Shares	84.6	81.3	81.3	81.2	81.1	81.3
Ordinary Shares	99.1	102.3	104.0	105.0	106.2	106.8
Tea Plantations	119.5	134.2	136.0	136.6	137.0	137.1
Cotton Textiles	109.2	93.8	95.4	95.7	97.0	97.6
Jute Textiles	110.5	89.7	89.1	88.8	89.4	89.7
Silk, Woollen and Rayon Textiles	114.3	130.7	133.6	134.6	135.5	132.0
Iron and Steel	49.8	46.3	46.2	46.9	48.1	48.2
Aluminium	63.2	63.2	65.1	65.4	57.5	68.0
Transport Equipment	64.0	72.7	73.9	74.4	76.6	78.3
Electrical Machinery, Apparatus, Appliances etc.	96.7	98.8	99.8	99.1	97.9	100.2
Chemical Fertilizers	144.0	168.2	171.3	180.0	184.3	187.1
Other Basic Industrial Chemicals	104.7	124.6	127.1	129.1	131.7	132.5
Cement	88.3	92.3	93.4	93.5	93.6	93.8
Paper and Paper Products	155.8	142.7	145.9	144.8	145.5	148.4
Rubber and Rubber Products	87.1	73.4	74.1	74.4	75.2	77.1
Electricity Generation and Supply	62.8	71.1	72.3	73.0	77.7	69.8
Shipping	176.6	164.2	171.5	175.5	176.4	172.5

Source Reserve Bank of India.

Friday	August 27, 1976	A week ago	A month ago	A year ago
Issue Department				
Notes in Banking Dept.	62,25	43,91	32,62	29,84
Notes in circulation	6,876,54	6,987,76	6,939,17	6,205,77
Total notes issued	6,938,79	7,031,66	6,971,79	6,235,61
Gold coin and bullion	182,52	182,52	182,52	182,53
Foreign securities	546,74	546,74	546,74	121,74
Rupee coin	24,08	21,95	22,08	15,95
Government of India rupee securities	6,185,45	6,280,45	6,220,44	5,915,39
Banking Department				
Deposits of :				
Central government	99,03	61,04	56,77	52,28
State governments	14,25	11,34	13,98	10,91
Scheduled Comm. banks	724,33	591,14	708,37	577,52
State coop. banks	26,76	52,40	25,45	17,44
Non-Scheduled State Coop. banks	1,76	1,77	1,68	1,49
Other banks	83	1,16	98	77
Other deposits	2,067,13	2,039,42	2,183,50	1,135,93
Other liabilities	1,906,32	1,870,29	1,850,14	1,889,51
Notes and coins	62,35	44,76	32,72	29,92
Balances held abroad	1,506,35	1,461,34	1,387,32	603,36
Loans and Advances to:				
State governments	200,79	232,47	266,33	163,79
Scheduled banks	714,25	644,15	818,50	37,27
State coop. banks	309,04	291,44	261,99	411,44
Other loans and advances	601,96	600,19	595,69	418,01
Bills Purchased and Discounted.				
Internal	134,09	146,41	151,69	42,16
Govt. Treasury Bills	413,38	344,79	239,57	933,79
Investments	144,20	112,49	324,33	698,59
Other assets	754,02	750,51	762,74	347,50

(Rs lakhs)

Friday	August 27, 1976	A week ago	A month ago	A year ago
Aggregate deposits	15,700,18	15,626,41	15,421,99	12,919,08
Demand deposits	6,244,62	6,195,79	6,199,74	5,349,67
Time deposits	9,455,56	9,430,62	9,222,25	7,569,41
Borrowings from Reserve Bank	714,25	644,15	818,50	37,27
Cash and Balances with Reserve Bank	1,039,59	906,33	1,026,59	863,05
Cash	315,26	315,19	318,22	285,53
Balance with Reserve Bank	724,33	591,14	708,37	577,52
Investment in Government Securities	3,651,39	3,625,26	3,589,33	3,046,33
Bank Credit	**11,678,97**	**11,710,83**	**11,746,42**	**8,845,29**
(a) Loans, cash credits and overdrafts	8,946,51	8,933,58	8,936,47	7,246,85
(b) Inland bills:				
Purchased	948,60	977,05	970,82	1,268,88
Discounted	1,310,28	1,308,51	1,349,53	
(c) Foreign bills:				
Purchased	305,44	321,96	317,78	329,56
Discounted	168,14	169,73	171,82	
Cash-Deposit Ratio	6,62	5.80	6.66	6.68
Investments-Deposit Ratio	23.26	23.20	23.27	23.58
Credit-Deposit Ratio	74.39	74.94	76.17	68.47

Source: Reserve Bank of India

Money Supply with the Public

(Rs crores)

Week ended	1975	1976				
	August 22	July 23	July 30	August 6	August 13	August 20
Money Supply with the Public	**12,018**	**13,645**	**13,514**	**13,609**	**13.643**	**13,574**
Currency with the Public	6,495	7.220	7,118	7.244	7.294	7,169
Other Deposits with the Reserve Bank	43	38	46	45	40	67
Bank Money	5,480	6,387	6,350	6,320	6,309	6,338
Factors Affecting Money Supply (1 + 2 + 3 + 4 — 5)						
Net Bank Credit to Government Sector (a + b)	10,738	10,723	10,657	10,788	10,837	10,614
(a) Reserve Bank's Net Credit to Government Sector	7,597	7,030	6,949	7,061	7.123	6,870
(b) Other Banks Credit to Government Sector	3,141	3,694	3,708	3,727	3,714	3,744
Bank Credit to Commercial Sector (a + b)	11,187	14,309	14,312	14,312	14,249	14,308
(a) Reserve Bank's Credit to Commercial Sector	569	800	800	802	797	798
(b) Other Bank's Credit to Commercial Sector	10,618	13,509	13,489	13,510	13,452	13,510
Net Foreign Exchange Assets of Banking Sector	266	1,404	1,434	1,463	1,490	1,509
Government's Net Currency Liabilities to the Public	546	546	544	546	546	544
Non-Monetary Liabilities of Banking Sector (a + b + c)	10,719	13,337	13,410	13,500	13,479	14,401
(a) Time Deposits with banks	8,119	9,629	9,671	9,762	9,842	9,884
(b) Net Non-monetary liabilities of R.B.I.	2,000	2,554	2,572	2,593	2,605	2,439
(c) Residual	600	1,154	1,167	1,145	1,032	1,078
Aggregate Monetary Resources [A + B5(a)]	**20,.57**	**25,274**	**25,.85**	**25,571**	**25,485**	**25,458**

Source : Reserve Bank of India

(Base 1960 = 100)

Centre	1965-66	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1975 May	1975 Dec.	1976 Jan.	1976 Feb.	1976 Mar.	1976 Apr.	1976 May
All-India	--	177	186	192	207	250	317	313	327	306	298	290	286	289	290
Ahmedabad	130	169	176	181	198	245	305	293	310	289	281	273	268	273	269
Alwaye	145	197	198	202	215	267	346	358	388	346	333	318	322	325	313
Asansol	140	178	189	194	206	245	316	317	320	315	310	304	302	306	306
Bangalore	144	183	186	194	212	265	318	332	345	332	322	312	304	302	299
Bhavnagar	132	178	186	194	217	273	327	315	334	312	302	294	290	292	291
Bombay	130	175	182	190	203	233	289	300	308	296	292	288	286	291	290
Calcutta	131	172	182	187	197	228	288	287	287	287	277	271	276	286	288
Coimbatore	132	154	163	177	189	218	309	319	335	302	299	293	289	281	283
Delhi	136	185	199	211	222	265	337	333	337	328	325	326	324	323	320
Digboi	138	180	189	188	198	234	310	317	342	305	302	302	303	304	308
Gwalior	139	184	191	197	214	271	348	324	343	321	305	298	293	301	295
Howrah	137	176	186	191	206	239	298	290	291	292	281	276	277	283	286
Hyderabad	149	185	189	195	211	251	304	316	322	324	308	294	289	289	293
Jamshedpur	136	170	183	187	202	219	313	293	298	289	279	277	275	275	274
Madras	134	160	170	182	203	220	301	314	325	304	286	280	272	272	[illegible]
Madurai	123	162	183	192	206	236	334	333	359	303	301	295	280	280	284
Monghyr	151	188	205	204	225	292	363	325	333	310	311	303	299	290	289
Mundakayam	138	191	197	199	210	263	337	346	375	330	327	311	311	312	301
Nagpur	138	176	187	192	203	256	314	325	336	329	304	286	277	281	293
Saharanpur	141	181	186	198	213	253	338	313	330	306	304	301	293	304	300
Sholapur	128	176	185	198	216	277	325	342	360	338	324	301	291	300	393

Source: Labour Bureau, Government of India.

Consumer Price Index Numbers for Urban Non-manual Employees (Base 1960 = 100)

Centre	1965-68	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1975 Mar.	1975 Oct.	1975 Nov.	1975 Dec.	1976 Jan.	1976 Feb.	1976 Mar.
All-India	**132**	**167**	**174**	**180**	**192**	**221**	**270**	**277**	**277**	**280**	**280**	**276**	**271**	**267**	**265**
Bombay	132	162	168	172	183	204	241	246	242	247	250	246	243	241	242
Delhi-New Delhi	131	168	174	180	190	217	262	273	268	276	275	272	270	267	268
Calcutta	126	162	170	174	180	204	238	243	241	246	248	244	240	238	237
Madras	133	161	175	188	204	231	291	306	306	313	315	307	297	291	287
Hderabad-Secunderabad	133	167	174	180	195	223	270	283	280	286	289	285	279	272	268
Bangalore	133	164	172	180	194	228	272	284	284	286	287	287	286	281	275
Lucknow	132	161	166	174	185	215	265	270	270	275	274	269	265	263	263
Ahmedabad	131	168	171	173	188	222	271	272	276	273	274	266	262	261	256
Jaipur	133	176	183	188	205	244	308	311	315	315	313	310	306	299	294
Patna	139	180	191	190	199	229	286	284	287	288	288	284	282	283	278
Srinagar	134	174	184	191	200	215	262	280	273	288	283	283	275	275	274
Trivandrum	131	172	178	184	198	231	280	297	292	294	300	304	300	294	293
Cuttack-Bhubaneswar	142	169	176	184	196	221	266	270	267	275	276	267	250	258	258
Bhopal	133	172	180	188	204	238	295	296	299	298	298	297	297	283	278
Chandigarh	129	171	178	183	194	217	265	278	277	280	280	280	276	276	277
Shillong	123	164	166	175	183	208	257	274	274	232	279	274	261	255	259

Source: Central Statistical Organisation.

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